TOWARD 2000 TOGETHER

SUMMARY

An opportunity for all Albertans to help shape the economic future of our province

Alberta
GOVERNMENT OF ALBERTA

MISSION STATEMENT

"To prepare the province to meet the challenges of the 21st century by uniting the energies of Albertans in making choices to accelerate environmentally-sound economic growth and diversification, thereby enhancing the quality of life for all Albertans."

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92-00077/

WHAT KIND OF ALBERTA DO YOU WANT TO SEE IN THE YEAR 2000?

In less than a decade, we will step across the threshold of a new century. How will Alberta's business community have changed? Where will career opportunities be found? What kind of environment will our children inherit? These are questions we must answer together, in setting new directions to take Alberta into the 21st century.

Our goal is to prepare the province to meet the challenges of the 21st century by uniting the energies of Albertans in an initiative to encourage economic growth and diversification.

As a first step in charting a clear course for the future, the Alberta government has developed a discussion paper setting out some of the key issues and a number of options and possible choices for Alberta's future economic direction. Its purpose is to stimulate dialogue and to elicit valuable insights and opinions from all Albertans.

This is your invitation to participate in the Toward 2000 Together Initiative. We ask you to review the discussion paper, to think about the economic options and choices we have today, and to share your insights with us.

Over the past five years, we have come a long way together in building a strong Alberta. By continuing to work in partnership, we can accomplish even more. I invite you to help shape the future for all Albertans, as we move toward the year 2000.

Don R. Getty

Premier Don Getty

"Our goal is to prepare the province to meet the challenges of the 21st century by uniting the energies of Albertans."

TIME TO BUILD ON PAST ACHIEVEMENTS

"The goal in broadening our economic base has been to reduce the economic and social problems caused by fluctuating international prices for our energy and agricultural commodities."

Since the 1970s, the Alberta economy has more than doubled in size in terms of the real value of goods and services produced. Once almost totally dependent on energy and agriculture, the province's economic base has become much more diversified to include a broad range of industries, products and services.

Alberta firms have seized opportunities in such fields as advanced manufacturing, forest products and environmental expertise. Food processing, petrochemicals and plastics, tourism and business services have all become major industries. And Alberta products and services now find markets in more than 150 countries.

This progress reflects the cooperative efforts of business, labour, government, educators and individual Albertans working together to implement a forward-looking diversification strategy. Key elements have included:

- establishing the Alberta Heritage Savings Trust Fund
- maintaining a positive business and investment climate
- establishing an extensive infrastructure (in education, health care, transportation, communications and municipal services)
- adding value to resources
- developing world-class universities and an extensive science and technology infrastructure
- developing world-class tourism facilities and events
- providing programs and services for business development
- developing new export markets

The goal in broadening our economic base has been to reduce the economic and social problems caused by fluctuating international prices for our energy and agricultural commodities. A diversified economy means greater economic stability and reduced swings in employment levels, a wider range of educational and career options, and over the long term, more secure family incomes.

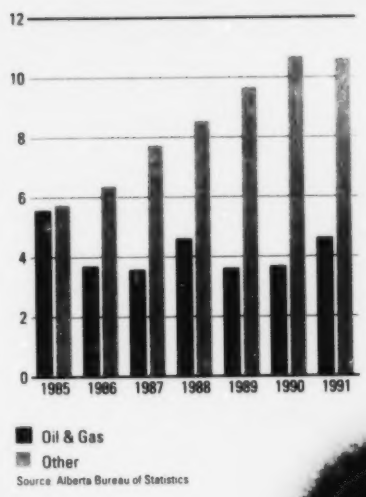
Perhaps most important is the direct link between economic diversification and the quality of life we enjoy in Alberta. With a healthy, diversified economy, Alberta can continue to provide the education, health, social and environmental programs we consider important — to maintain our traditions as a caring society.

Our economy: stronger and more diverse than ever before

The success of Alberta's diversification strategy can be measured in the province's income — our Gross Domestic Product (GDP). Despite substantially lower average world energy and grain prices since 1986, the Alberta economy has continued to expand. This reflects the shift from our traditional resource sectors to new industries, products and services.

Over the last five years alone, energy's share of Alberta's GDP has declined from 32% to less than 20% and non-energy investment has almost doubled — growing from $5.8 billion in 1985 to just under $11 billion in 1990.

Private Investment in Alberta
(Billions of $)



Source: Alberta Bureau of Statistics

Jobs for Albertans

More than 107,000 new jobs have been created in Alberta over the past five years. Interestingly, most of this employment growth has occurred outside the primary energy and agriculture sectors, in such areas as advanced technologies, forest products, business services, tourism and petrochemicals and plastics.

How Alberta's economy has changed

A sector-by-sector review of Alberta's high-growth industries illustrates how far we've come in diversifying our economy and creating a strong foundation for future growth.

The petrochemicals and plastics industry has evolved from our energy sector to become one of our largest manufacturing industries, with shipments valued at more than $3.5 billion in 1990.

Advanced technologies represent another dramatic success story. Today more than 50,000 Albertans are employed by approximately 1,000 advanced technology enterprises operating in the province.

Forestry has become a major contributor to diversification, with Alberta companies now producing and marketing such value-added products as newsprint, oriented strandboard and medium density fibreboard.

Tourism revenues in Alberta have more than tripled since the late 1970s, totalling approximately $2.6 billion in 1990. With tourism forecast to become the world's largest industry by the year 2000, Alberta's tourism industry is well poised to capture a growing share of this market over the next decade.

Business services have made an important contribution to our economy, not only making our goods-producing industries more competitive — but generating wealth and creating jobs in their own right.

The energy sector has provided the foundation for much of this growth, diversifying from within to export exploration, production and technical expertise around the world.

Agriculture, too, has diversified into new crops and new products. Food and beverage manufacturing is Alberta's largest manufacturing sector and the value of processed food shipments — at $4.5 billion in 1990 — now exceeds the value of primary agricultural production.

HELP PLAN ALBERTA'S ECONOMIC FUTURE

"Our ability to profit in an increasingly dynamic global marketplace depends on one factor – competitiveness."

The world is changing — and so is Alberta!

While Alberta's approach to diversifying the economy has been successful, the time has come to develop a new strategy — one that recognizes changes in the world's economy and reflects the values of Albertans today.

Our ability to profit in an increasingly dynamic global marketplace depends on one factor — competitiveness. In future, Alberta's economic growth will be measured by our success in designing, developing, producing and marketing products and services superior to those of our competitors.

Simply reacting to change will not be enough. To place Alberta in a stronger and more competitive position, change must be anticipated and strategies developed to capitalize on new business opportunities.

The Alberta government recognizes that strengthening the entrepreneurial environment is essential to economic growth and diversification ...and to securing Alberta's place in tomorrow's economy. In the future, all economic participants will need to look more closely at developing new, cooperative approaches which encourage entrepreneurial activity and nurture the successful start-up and growth of new business ventures.

Join us in developing a new strategy

Setting directions today that ensure continued economic growth and prosperity for Alberta in the 21st century is no small task. Many complex economic and social issues must be addressed and a number of crucial decisions must be made regarding Alberta's priorities for the future. That is why it is important for all Albertans to be involved in the process — and why the Alberta government is encouraging full public discussion of all of the issues surrounding a new economic strategy for the province.

The challenge is to unite the energies of all Albertans in a long-range plan to see an even stronger and more diverse economy take shape.

This brochure summarizes the detailed discussion paper developed as part of the Alberta government's Toward 2000 Together Initiative. Its purpose: to raise awareness of the many challenges and opportunities — the options and choices we face in Alberta on the eve of the 21st century. The discussion paper encourages Albertans to review the progress already achieved in diversifying our economy and to envision the kind of province they would like to see in the year 2000. And most importantly, it invites public participation in the Toward 2000 Together process.

A coordinated effort

All departments of the Alberta government have joined forces over the past two years to develop Toward 2000 Together. This new program should be viewed as an "umbrella" initiative, bringing together a number of complementary initiatives and public consultation processes dealing with a wide range of economic, social and environmental issues. Some of these include:

- Alberta's Environment Toward the 21st Century (Environment)
- Alberta Action on Waste (Environment and Economic Development and Trade)
- Clean Air Strategy for Alberta (Energy and Environment)
- Alberta Round Table on Environment and Economy
- The Alberta Workforce to the Year 2000 (Career Development and Employment)
- The Future of Work (Labour)
- Premier's Council on Science and Technology
- A Vision to the Year 2000: Alberta Research Council's Corporate Plan
- Forestry Lands and Wildlife Advisory Committee
- Vision for the Nineties: A Plan of Action (Education)
- Premier's Council on the Status of Persons with Disabilities
- Tourism 2000: A Vision for the Future
- Local Development Initiative (LDI)
- Targetting Tomorrow: Alberta's Trade Strategy (Economic Development and Trade)
- Growing Together - Agri-Food Policy Review (Agriculture)
- Environmentally Sustainable Agriculture (Agriculture)
- Select Special Committee on Constitutional Reform (Federal and Intergovernmental Affairs)
- The Future of Alberta Securities Markets — A Discussion Paper (Consumer and Corporate Affairs)

The next step: Let us hear your views

Over the next several months, Albertans will have many opportunities to join the dialogue on Alberta's economic future. In fact, your involvement can begin today — with the questionnaire included in this brochure. Add your views on Alberta's economic future to those of business, labour, local governments, educational institutions and individual Albertans in all parts of the province.

Public Consultation will provide input for the Toward 2000 Together Initiative

IMAGINE ALBERTA IN THE 21ST CENTURY

Most futurists believe we will witness more change in the last decade of this century than we've seen over the past 90 years. Remarkable innovations will change the way we live and the way we work. Our future will be increasingly influenced by advancing technology, more liberalized world trade, and shared concerns about the global environment.

Against this background, it is important for Albertans to develop a realistic vision of where Alberta could — and should — be in the year 2000. Only with a shared vision can we achieve the goals that we set for the future.

A strong economy will provide Alberta with the financial resources to take action in areas considered important, and to fund the programs and services that will enhance our quality of life. Such programs and services should be based on the values that Albertans consider important, and should be incorporated within our vision of the future.

Albertans have already defined many of the elements of their vision for our province's future. Their comments have provided the basis for the suggested vision which appears below. Is this the Alberta you would like to see in the year 2000? Is this a realistic vision, or will some trade-offs be necessary? If trade-offs must be made, which elements do you consider to be most important?

Please review this vision — and let us know what you think.

A Suggested Vision for the Alberta Economy in the Year 2000

Alberta is a diversified, internationally competitive economy which provides challenging employment opportunities and the means to maintain the quality programs that Albertans have come to expect in education, health and social services. Alberta is a leader in protecting the environment and ensuring that future generations can sustain prosperity, living standards and continued quality of life.

ALBERTA'S ECONOMIC AND DIVERSIFICATION OBJECTIVES

Transforming visions into reality calls for careful planning and some clearly defined objectives. In the case of Alberta's economic vision, government must ensure that the objectives are realistic, the goals achievable. With a relatively small economy competing in the global marketplace, the province cannot hope to succeed in all areas. The key is to capitalize on our competitive strengths to diversify into new areas of opportunity.

"The key is to capitalize on our competitive strengths to diversify into new areas of opportunity."

The following objectives can serve as a guide to stimulate discussion in developing Alberta's economic strategy for the 1990s.

- To promote a highly-skilled, innovative and adaptable workforce through a strong, shared commitment to skills development and life-long learning.
- To foster an entrepreneurial business culture where the private sector continues to generate challenging employment opportunities in all regions of the province.
- To sustain a competitive business and investment climate for new higher value-added industries, resource upgrading, advanced manufacturing, and business services.
- To pursue economic development that is based on the principles of environmental sustainability and sound management of our agriculture, energy and forest resources.
- To strengthen the viability of Alberta communities and maintain a high qualify of life across the province.
- To promote a quality work environment that fully challenges the talents and abilities of individual Albertans and leads to a more productive and competitive economy.
- To build stronger partnerships among employers, educators, governments, unions and individuals, and facilitate new, less adversarial approaches to employer-employee relations.
- To encourage the development and application of science, technology, and research to enhance Alberta's domestic and international competitiveness.
- To strengthen Alberta's reputation as a major international tourism destination and ensure that the province benefits from the full range of economic opportunities available through tourism development.

These objectives identified are intended only to stimulate discussion and to provide a framework and a rationale for strategy considerations. What is your reaction to these objectives? Let us know.

"Our shared commitment to responsible financial management means that we must make even more effective use of limited resources in the years ahead."

The Alberta government has considerable scope for pursuing its economic strategy. To avoid unrealistic expectations, however, it is important to recognize that the province cannot control many of the external business, political and institutional influences on its economic performance. Sometimes these outside forces encourage our economic growth; in other cases they constrain it.

In exploring options and choices for Alberta's economic future, we must keep these factors in mind:

- Alberta's principal resource and manufactured products are sold at prices which are largely influenced by market forces outside Canada.
- Market access for Alberta products and services is subject to the tariff and non-tariff barriers of the more than 150 countries to which Alberta now exports.
- As a trading province...with close to 270,000 jobs directly or indirectly dependent on international trade...Alberta's economic performance is strongly influenced by global economic conditions and trends.
- The federal government has responsibility over key areas such as foreign exchange, banking, monetary policy, and the regulation of interprovincial and international trade and commerce. In some of these areas...such as interest rates, the external value of the Canadian dollar, the Goods and Services Tax (GST), federal income tax reform and the Western Economic Diversification Initiative...federal government actions clearly impact on the province's industrial development and diversification efforts.
- Uncertainties over national unity and Canada's constitutional future, if not satisfactorily resolved, could affect business and investor confidence.

A broad range of factors must therefore be considered in the development of Alberta's economic strategy for the future.

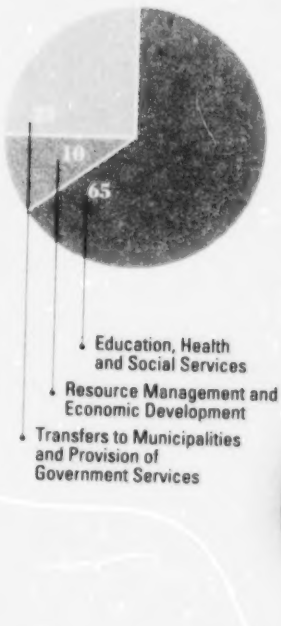
Options to consider; choices to make

Albertans have made it clear that a balanced provincial budget is important to them, as it is to the Alberta government. Our shared commitment to responsible financial management means we must make even more effective use of limited resources in the years ahead and carefully consider all of the options open to us.

At the same time, our new economic strategy must reflect Alberta's social, cultural and community objectives and, above all, promote economic growth which is environmentally sound.

You are invited to review and respond to the following options. They are presented to illustrate some of the key issues likely to confront Alberta over the next decade. Please note that the issues being discussed in this initiative are primarily economic in nature. Other issues, such as health and social welfare, are being reviewed in other government initiatives.

1991-92
Alberta Government Program Expenditures
(percent)


10
65
Education, Health and Social Services
Resource Management and Economic Development
Transfers to Municipalities and Provision of Government Services

1. **Albertans will need to look at what priority should be given to economic development and diversification in Alberta's overall public policy.** Today, more than 65% of the Alberta government's annual program expenditures goes to education, health and social services. Transfers to municipalities and the provision of government services, such as highways and the administration of justice, account for a further 25%. The remaining 10% of program expenditures goes directly to resource management and economic development. These expenditures all directly or indirectly contribute to the future economic health and vitality of the province.

   Some options include allocating a larger share to resource and economic development to provide future sources of jobs and income...allocating fewer funds in these areas while concentrating on providing a more competitive tax and business environment...or maintaining the present balance between economic and social spending.

2. **Albertans will need to consider the most appropriate role for government to play in encouraging the private sector to generate wealth and create jobs in Alberta.** During the downturn in the mid-1980s, the Alberta government provided incentives and support programs to the business community. Looking ahead, government sees less need for this type of involvement in a much stronger economy which is attracting new private investment. Government now has the opportunity to build on past successes and to pursue new directions in further diversifying the economy. This will require the right strategy for the times as well as government's willingness to support private sector initiative with appropriate assistance.

"The challenge will be to integrate environmental considerations more fully into the economic decision-making process."

Some options include seeing government provide loans, equity, grants and loan guarantees to viable Alberta businesses, but only when financing from conventional sources is difficult to obtain…focusing government support on programs and services generally available to all businesses (e.g. business counselling and provision of market intelligence)…or seeing government provide only indirect support by maintaining an attractive business and investment climate as well as an attractive corporate tax structure. Albertans must also be aware of the possible reactions of our trading partners to certain types of government assistance as we attempt to negotiate a "more level playing field" for international trade.

Albertans will have to determine the priority to be placed on developing the province's human resources through existing and new approaches to education, skills upgrading and training. A highly skilled workforce will be essential for Alberta to succeed in the knowledge-intensive world of the 21st century. New approaches may be required to more effectively bring together economic and educational priorities. This may require a shift in the responsibilities borne by government, the private sector and the individual.

Some options include seeing government dedicate more resources to education, skills upgrading and training…seeing the private sector play a larger role in funding education and increase its commitment to training…or seeing individual Albertans assume more responsibility for their own training.

Albertans will need to consider how the priority placed on environmental protection should be reflected in Alberta's economic and diversification strategy. Protecting the environment is of utmost importance to the majority of Albertans. At the same time, environmental requirements and costs are major considerations that business cannot afford to ignore. The challenge in the decade ahead will be to integrate environmental considerations more fully into the economic decision-making process to ensure the environment is protected without unnecessarily restricting the potential for further economic development and job creation.

Some options include "going slow" on economic development unless new projects can be proven safe…encouraging the development of only those industries with no significant environmental impact…or encouraging the development of all industries but taking steps to minimize the impact on the environment.

5 Albertans will need to consider the priority to be placed on regional and community development in relation to our other economic objectives. Thousands of Albertans prefer a small community lifestyle — an option they view as key to Alberta's attractive quality of life. Others feel there is an urgent need to encourage Alberta's major urban centres to develop as internationally competitive world-class cities. Whatever their views, Albertans have clearly expressed a strong desire to take a more active role in directing the future of their communities. This message was reinforced at recent Local Development Initiative forums held throughout the province.

Some options include providing direct government support to maintain the viability of smaller communities...placing an increased emphasis on the development of world-class urban centres...or leaving community development to the marketplace and providing tools to assist communities to undertake their own economic initiatives.

6 Albertans will need to determine the best approaches to encouraging more research and development in Alberta. Over the past eight years, the Alberta government has invested nearly $2 billion in support of science and technology. If Alberta is to compete in the advanced technologies of tomorrow, ways will have to be found to strengthen our research and development capabilities, particularly in the private sector.

Some options include seeing the Alberta government commit more funding to science and technology...providing incentives to encourage the private sector to undertake more research and development...or leaving the issue entirely to the marketplace.

7 Albertans will need to consider if government should make a commitment to be in the forefront of certain high-technology, manufacturing and service industries. Alberta companies have considerable potential to succeed in such industries as advanced materials, biotechnology, electronics, telecommunications, aerospace, industrial machinery and equipment, engineering, and computer services. However, there is continuing debate on the extent to which the Alberta government should use public funds to encourage development of these industries. Experience in other jurisdictions has demonstrated that success in attracting investment in these areas often depends on government playing a significant role, along with a commitment to a specific development plan prepared and implemented by all stakeholders.

Some options include seeing government target high-potential industries and provide significant funding support to directly assist industry...providing only infrastructure support, such as advanced technology centres...only matching the levels of support provided to such industries by other provinces and states...or providing no special funding for such industries, but offering an attractive climate for all business in Alberta.

Albertans will need to look at whether a larger share of the Alberta Heritage Savings Trust Fund should be used to support our economic objectives. Established in 1976, the Heritage Fund now has assets of over $12 billion. Non-renewable resource revenues are no longer contributed to the Heritage Fund and the annual income earned on investments is transferred from the Fund to General Revenues. In recent years this has helped maintain the range and quality of government services to Albertans, while lessening the provincial tax burden on both individuals and businesses. It has been estimated that the Heritage Fund's contribution to government operating revenues is equivalent to a 6% sales tax.

Some options include making economic diversification the Heritage Fund's main objective...using the Fund primarily as a stable source of government revenue to maintain lower taxes in Alberta...or continuing with the present balance of social, fiscal and economic objectives.

Other options?

You may want to review the full discussion paper before responding to the questionnaire. You may also wish to propose other options and possible strategies for consideration. Please feel free to provide your comments in the space provided in the questionnaire, or to add additional sheets as required.

TOWARD 2000 TOGETHER: HOW TO PARTICIPATE

The dialogue on Alberta's new economic strategy will continue over the next several months. Here are some ways to join the discussion.

- Call us: at 1-800-661-PLAN. We'll supply straight answers to your questions and make sure you get the materials you need to participate.
- Write us: Complete the questionnaire included with this brochure and return it in the postage-paid envelope provided. If you need more space, feel free to attach a separate sheet. Or start from scratch and prepare your own submission, setting out your thoughts, ideas and opinions on Alberta's economic future.
- Keep informed — through regular newsletter updates distributed on request to all interested Albertans.

Key steps in the Toward 2000 Together Initiative:

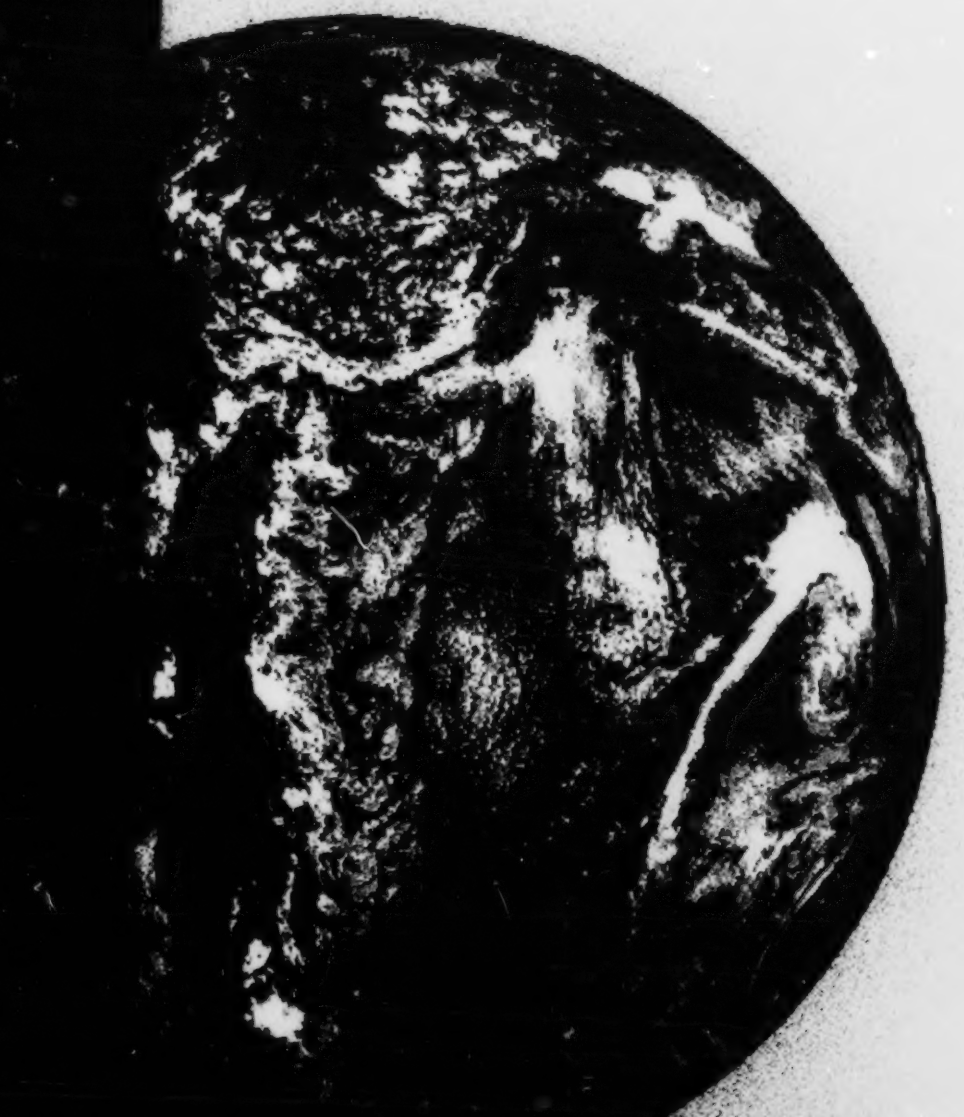
- Release of discussion paper inviting public input
- Round Table discussions for experts to provide a fresh perspective on some of the Toward 2000 Together issues
- Public forums for individuals and organizations to present their ideas to the government
- Summary Report of all public input published
- An Alberta Conference on the Economy for invited stakeholders and the general public
- A draft strategy produced, allowing opportunity for further public input
- Alberta's new economic strategy announced

PLEASE RETURN QUESTIONNAIRES AND SUBMISSIONS TO:

Hon. Peter Elzinga & Hon. Rick Orman
c/o Economic Planning Committee
Government of Alberta
Room 324
Legislature Building
Edmonton, Alberta T5K 2B6

TOWARD 2000 TOGETHER

A discussion paper on Alberta's Economic options and choices



Alberta
GOVERNMENT OF ALBERTA

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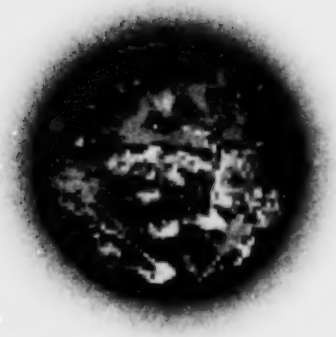
1.0 INTRODUCTION

When Canadians last marked the turn of a century, Alberta was still five years from becoming a province. Less than a hundred years later — on the eve of the 21st century — Albertans have succeeded in transforming an agricultural-based economy into a highly industrialized province capable of competing successfully in international markets.

Despite relatively weak international commodity prices in the agriculture and energy industries over the past five years, the province has achieved strong employment and income growth. With a higher level of investment than any other province in Canada, Alberta's economic outlook and business prospects remain strong.

Although Albertans currently enjoy one of the highest standards of living in the world, we must not overlook the challenges and opportunities that come with advancing technology, growing international commerce and shared global concerns.



Alberta's ability to meet the challenges of an increasingly dynamic global marketplace, and to take full advantage of the opportunities available, can be summarized in one word — competitiveness. Overall, Alberta's competitive strengths are reflected in our ability to design, develop, produce and market products and services with price and non-price characteristics superior to those of our competitors.

Competitiveness is, of course, much more than just a business issue. As we move toward the 21st century, it will be the key to preserving and enhancing our standard of living and quality of life — and to providing jobs and challenging career opportunities to young Albertans.

The purpose of this discussion paper is to summarize the range of issues which will need to be addressed in developing Alberta's future economic strategy. It is intended to raise awareness...to stimulate personal involvement...and to allow for broad public input in building a strategy that will enable Alberta to compete and prosper in the next century.

The economic and policy environment has changed significantly since 1984, when the Alberta government last undertook a public review of diversification issues...as presented in the **White Paper "Proposals for an Industrial and Science Strategy for Albertans: 1985 to 1990".** Both the degree of government involvement and the types of support required by the private sector have changed. Even more significant changes are forecast for the decade ahead.

Innovative approaches to industrial development, which complement and build on past successes, will be required if Alberta is to take full advantage of new and emerging opportunities.

In the past, Albertans have expressed strong opinions on what the Alberta government's economic priorities and strategies should be in order to meet the challenges of global competition. More recently, the Minister's Council on Local Development held hearings across the province which again demonstrated that Albertans have a keen interest in the future of their communities.

Once more, Albertans are being asked to share their opinions and insights on issues of vital importance to the province's continued economic prosperity and quality of life. This discussion paper, developed as part of the Alberta government's Toward 2000 Together Initiative, sets out some of the fundamental options and choices which will need to be considered. It is intended to provide both an opportunity and a vehicle for business, labour, local government authorities, educational institutions, and individual Albertans to provide their views, ideas, and visions of Alberta's economic future. The public input and guidance received will be used by government in developing Alberta's future economic and diversification strategy.

1.1 Overview of Discussion Paper

Alberta will face many new challenges in the decade ahead. The success Albertans achieve in responding to these challenges will be essential to our collective well-being. Essentially, there are four major challenges Alberta needs to address if we are to sustain long term economic growth and prosperity.

MAJOR CHALLENGES FACING ALBERTA

- **Maintaining an internationally competitive economy** — to enhance the economic opportunities and standard of living for current and future generations.

- **Achieving a better integration of environmental considerations within the economic decision-making process** — to ensure that the utilization of resources and the environment today does not impair prospects for their use by future generations.

- **Developing an effective workplace** — to assist Albertans to become even more competitive and productive, while at the same time maintaining and enhancing the quality of working life.

- **Building a broad consensus on the overall goals and direction of Alberta's future economic strategy** — to strengthen consultation and cooperation among all levels of government, business, labour, educational institutions, and other interests in implementing this strategy.

This discussion paper contains seven sections. The balance of Section 1.0 includes a suggested vision of Alberta in the year 2000, a brief overview of the importance of economic growth and diversification, and a number of key objectives which have been identified to guide in the development of Alberta's future economic strategy.

Section 2.0 reviews some of the broader options and choices available to Albertans in meeting these important challenges. With a relatively small economy competing in the global marketplace, Alberta cannot expect to succeed in all areas. Alberta must instead build on competitive strengths to diversify into new areas of opportunity.

Many options will need to be considered in developing Alberta's economic priorities and strategies for the future. All economic participants have a responsibility to ensure that the choices made allow Alberta to effectively respond to the challenges of maintaining economic and industrial competitiveness, fostering sustainable development, and building stronger and more dynamic economic partnerships within the province.

Section 3.0 provides an overview of the key elements of Alberta's past economic strategy and the progress already achieved in diversifying the province's economic base. Finally, Sections 4.0, 5.0, and 6.0 review the key elements which will set the framework for Alberta's economic and diversification strategy — Building on Our Human Resources; Enhancing the Environment and Quality of Life; and Strengthening Business Resources. Each of these sections identifies a number of options and choices to help stimulate discussion and public input.

Section 7.0 provides a short summary of the Toward 2000 Together Initiative. Again, public involvement and participation will be essential if Alberta is to make the most of future opportunities.

1.2 A Vision of Alberta's Economic Future

Futurists note that the last ten years of this century could produce more changes than the previous ninety. Albertans must therefore look toward the challenges and opportunities which lie ahead when developing an economic strategy that will best guide the province toward the 21st century.

Positioning the province to meet the competitive challenges which lie ahead will not be easy. Uncertainty about emerging trends in the global economy, rapid technological change, environmental concerns and the impact of investment decisions made in major international financial centres will all have a bearing on Alberta's future. This emphasizes the importance of establishing a clear and realistic vision of where Alberta could — and should — be in the year 2000.

Government can offer leadership in this regard. Ultimately, however, this vision must be shared by Albertans themselves — by individuals and organizations representing a broad cross-section of Alberta society.

Through various public hearing processes and consultations, Albertans have already outlined many elements of their vision for Alberta's economic future. These have been identified in light of underlying trends in the global economy and Alberta's competitive strengths. The input provided has been used to develop the following vision statement for the Alberta economy in the year 2000.

A Suggested Vision for the Alberta Economy in the Year 2000

Alberta is a diversified, internationally competitive economy which provides challenging employment opportunities and the means to maintain the quality programs that Albertans have come to expect in education, health and social services. Alberta is a leader in protecting the environment and ensuring that future generations can sustain prosperity, living standards and continued quality of life.

This vision statement is offered only as the basis for further discussion. Albertans are encouraged to comment on whether they believe this is an appropriate and realistic vision of Alberta's economic future, or to suggest alternatives they feel would be more appropriate.

In developing Alberta's future economic and diversification strategy, it is important that Albertans do not overlook the potential trade-offs which may be involved if we are to fully realize our vision and achieve our long term economic objectives. Is it possible to achieve all of the elements of our economic vision, or will some trade-offs be required? If trade-offs must be made, which elements do Albertans consider the most important? These are just some of the questions Albertans may wish to consider in providing their views, opinions and contributions in developing Alberta's economic vision, priorities, objectives and future strategy.

1.3 The Importance of Economic Growth and Diversification

The Alberta government is committed to building a competitive business environment which encourages private sector growth and strengthens the role of market forces in the Alberta and Canadian economies. Success economically will allow the Alberta government to continue providing the education, health and social programs which contribute to the high quality of life in the province. In turn, the quality and range of these programs and services will increasingly complement Alberta's economic objectives.

To reduce the short term economic and social problems caused by fluctuating international prices for energy and agricultural commodities, the Alberta government has long recognized the need to broaden the province's economic base. The overall strategy has been to continue to add value to resources and to diversify into a broader range of industries, products and services.

A diversified economy means greater economic stability and reduced swings in employment levels. It also opens up a wider range of educational and career options, as emerging industries create challenging new job opportunities. Over the long term, diversification minimizes the negative effects of market cycles, resulting in a more stable job market and more secure family incomes.

The Alberta government has encouraged diversification by pursuing policies and programs which build on Alberta's strengths, remove obstacles to growth, sustain a stable investment climate, and encourage innovation. The types of assistance used have responded to the economic needs and circumstances of the times. Although Alberta's approach to diversifying the economy has proven successful, the time has now come to build a new strategy — one that recognizes changes in the global economy and reflects the values of Albertans today.

While the Alberta government will continue to place a priority on economic diversification, Alberta's future economic strategy must also be developed with respect for our social, cultural and community objectives. Above all, however, it must promote economic growth which is environmentally-sound.

1.4 Alberta's Economic and Diversification Objectives

A number of key objectives have been identified to guide in the development of the Alberta government's economic and diversification strategy for the 1990s. These objectives are consistent with the goals and directions discussed within a number of public forums...including the Local Development Initiative, Workforce 2000, the Future of Work, Alberta's Environment Toward the 21st Century, and the Clean Air Strategy for Alberta.

The objectives identified on the following page are intended only to stimulate discussion and to provide a framework and a rationale for the strategy considerations which follow in Sections 4.0, 5.0, and 6.0. Once again, Albertans are encouraged to provide their views and insights on these and any other objectives they feel also need to be considered.

ALBERTA'S ECONOMIC AND DIVERSIFICATION OBJECTIVES

- To promote a highly-skilled, innovative and adaptable workforce through a strong, shared commitment to skills development and life-long learning.

- To foster an entrepreneurial business culture where the private sector continues to generate challenging employment opportunities in all regions of the province.

- To sustain a competitive business and investment climate for new higher value-added industries, resource upgrading, advanced manufacturing, and business services.

- To pursue economic development that is based on the principles of environmental sustainability and sound management of our agriculture, energy and forest resources.

- To strengthen the viability of Alberta communities and maintain a high qualify of life across the province.

- To promote a quality work environment that fully challenges the talents and abilities of individual Albertans and leads to a more productive and competitive economy.

- To build stronger partnerships among employers, educators, governments, unions and individuals, and facilitate new, less adversarial approaches to employer-employee relations.

- To encourage the development and application of science, technology, and research to enhance Alberta's domestic and international competitiveness.

- To strengthen Alberta's reputation as a major international tourism destination and ensure that the province benefits from the full range of economic opportunities available through tourism development.

2.0 OPTIONS AND CHOICES

The Alberta government's approach to economic development and diversification has been based on encouraging and supporting private enterprise within a competitive business environment. This philosophy recognizes the importance of profit as an incentive to risk-taking, and acknowledges the entrepreneurial spirit of Alberta's business community. The goal has been to build on Alberta's existing and potential strengths, rather than attracting industries which are unlikely to succeed over the long term without continued government assistance.

While the Alberta government has considerable scope for pursuing its economic strategy, it is important to recognize that external forces can also have a major influence on the level and type of economic activity in the province. To avoid unrealistic expectations, it is useful to identify some of the key elements of this broader, external environment.

EXTERNAL FORCES INFLUENCING ALBERTA'S ECONOMIC PERFORMANCE

• Alberta's principal resource and manufactured products are sold at prices which are largely influenced by market forces outside Canada.

• Market access for Alberta products and services is subject to the tariff and non-tariff barriers of the over 150 countries to which Alberta now exports.

• As a trading province...with close to 270,000 jobs directly or indirectly dependent on international trade...Alberta's economic performance is strongly influenced by global economic conditions and trends. A slowdown in economic activity in the province's primary export markets usually results in lower demand for Alberta's exports and slower economic and employment growth in Alberta.

• The federal government has responsibility over key areas such as foreign exchange, banking, monetary policy, and the regulation of interprovincial and international trade and commerce. In some of these areas...such as interest rates, the external value of the Canadian dollar, the Goods and Services Tax (GST), federal income tax reform and the Western Economic Diversification Initiative...the federal government's actions clearly impact on the province's industrial development and diversification efforts.

• Uncertainties over national unity and Canada's constitutional future, if not satisfactorily resolved, could affect business and investor confidence. However, it is difficult to forecast the outcome of this national debate...nor can we be certain whether current trends toward greater interprovincial economic cooperation will continue. A broad range of political and institutional contingencies must therefore be considered in the development of Alberta's future economic strategy.

Albertans have made it clear that a balanced provincial budget is important to them, as it is to the Alberta government. This shared commitment to responsible financial management means that the Alberta government must make even more effective use of limited resources in developing a realistic and affordable economic strategy for the 1990s and beyond.

There are a wide range of options Albertans will need to consider if we are to confront the challenges and capitalize on the opportunities which lie ahead. Choices will have to be made as to the most appropriate options available to the province in realizing its "vision" and achieving its future economic objectives. While there are some risks involved with this approach, there are even greater risks in taking a less strategic view of what lies ahead for the Alberta economy.

These choices will in some ways have to be made by all Albertans, as a shared vision and commitment to the province's broad economic objectives will be critical to success. Consideration will also need to be given to the role of the various economic participants, and the relationship between these groups, in implementing Alberta's economic strategy. It will be essential that the policy instruments used in this strategy be coordinated to ensure that they fully complement each other.

Albertans are invited to review and respond to the following options. These options are presented only to stimulate discussion and to illustrate some of the key economic issues likely to confront Alberta over the next decade. Other options will undoubtedly emerge as the Toward 2000 Together Initiative unfolds.

1. Albertans will need to look at what priority should be given to economic development and diversification in Alberta's overall public policy. More than 65% of the Alberta government's annual program expenditures are in the areas of education, health, and social services. Transfers to municipalities and the provision of government services such as highways and the administration of justice account for a further 25%. The remaining 10% of program expenditures is spent directly on resource management and economic development. These expenditures all contribute, both directly and indirectly, to the future economic health and vitality of the province.

Some options are to allocate a larger share of the Alberta government's program expenditures to resources and economic development to provide future sources of jobs and income...to reduce government funding in these areas and concentrate instead on providing a more competitive tax and business environment...or to maintain the present balance between economic and social infrastructure/regulatory spending.

Given the continuing need for fiscal restraint, how can government address this issue without imposing additional taxes or reducing services to Albertans? What is the most effective means to encourage economic growth and diversification in the 1990s, to create new jobs, and to ensure that Alberta can continue to fund and maintain its programs and services in the areas of education, health, social services, and the environment? Should a larger proportion of the Alberta government's expenditures on resources and economic development be directed solely to "diversification activities", rather than to government's other economic and industrial development objectives?

2. Albertans will need to consider the most appropriate role for government to play in encouraging the private sector to generate wealth and create jobs in Alberta. During the downturn in the mid-1980s, the Alberta government provided incentives to a number of major projects which may have otherwise been deferred or cancelled. Looking ahead, government sees a reduced need for this type of involvement as the economy is much stronger today and new private investment is forthcoming. Government now has the opportunity to build on these past successes, and to establish new directions to further diversify the economy. This will require the right strategy for the times and a willingness by government to support private sector initiative with appropriate assistance.

Some options are to see government continue to provide loans, equity, grants and loan guarantees to viable Alberta businesses, but only when financing from conventional sources is difficult to obtain...to focus its support on programs and services which are generally available to all businesses, such as business counselling and the provision of market intelligence...or to provide only indirect support by maintaining an attractive business and investment climate, together with a competitive corporate tax structure.

Should Alberta's corporate tax system be used to encourage economic diversification objectives and how might this be done? Should the Alberta government take a larger role in promoting the formation of joint ventures, strategic alliances, and other forms of partnership arrangements within the private sector? Should government increase its support to trade development activities even if this should entail some sharing of risk with the private sector in developing new markets?

Albertans must also be aware of the possible reactions of our trading partners to certain types of government assistance as we attempt to negotiate a more level playing field for international trade. This may affect or limit the range of options available to us.

3. Albertans will have to determine the priority to be placed on developing the province's human resources through existing and new approaches to education, skills upgrading and training. A highly-skilled workforce will be essential for Alberta to succeed in the knowledge-intensive world of the 21st century. Consequently, new approaches may be required to more effectively bring together economic and educational priorities. These approaches may require a shift in the responsibilities borne by government, the private sector and the individual.

Some options are to see government dedicate more resources to education, skills upgrading and training...to see the private sector play a larger role in funding education and increasing its commitment to training...or to see individual Albertans assume more responsibility for their own training.

Are there new ways to bring together government, the educational institutions and the business community to set priorities and to develop improved delivery systems which will meet both the needs of individual Albertans and the future needs of the economy? How do we deal with Alberta's 30% high school drop-out rate? What specific initiatives could be developed to encourage more students to complete their high school education?

4. Albertans will need to consider how the priority placed on environmental protection should be reflected in Alberta's economic and diversification strategy. There is no question that protecting the environment is of utmost importance to the majority of Albertans. At the same time, environmental requirements and costs are major considerations that no business can afford to ignore. The challenge in the decade ahead will be to integrate environmental considerations more fully into the economic decision-making process to ensure that the environment is protected without unnecessarily restricting the potential for further economic development and job creation.

Some options are to "go slow" on economic development unless new projects can be proven safe...to encourage only the development of those industries where there is no significant environmental impact...or to encourage the development of all industries, but take steps to minimize the impact on the environment.

What role should environmental objectives and priorities have in Alberta's economic strategy? How can environmental costs be factored most effectively into economic decision-making processes? What approaches exist to further encourage and support development of the province's environmental business sector?

5. Albertans will need to consider the priority to be placed on regional and community development in relation to our other economic objectives. Thousands of Albertans prefer a small community lifestyle — an option they view as key to Alberta's attractive quality of life. Others have commented that there is an urgent need to encourage Alberta's major urban centres to develop as internationally competitive world-class cities. What is clear is that Albertans have expressed a strong desire to take a more active role in directing the future of their communities. This message was reinforced at recent Local Development Initiative forums held throughout the province.

Some options are to provide direct government support to maintain the viability of smaller communities...placing a higher priority on the development of world-class urban centres...or leaving community development to the marketplace and providing tools to assist communities to undertake their own economic initiatives.

As indicated to the Minister's Council on Local Development, such tools might include better access to information on technology, business development, and trade opportunities...training for local business and community leaders, as well as regional economic development officers, to help them take full advantage of these opportunities...a vehicle to encourage local investment in local projects... and a coordinated government response to individual community needs.

6. Albertans will need to determine the best approaches to encouraging more research and development in Alberta. Over the past eight years, the Alberta government has invested nearly $2 billion in support of science and technology. If Alberta is to compete in the advanced technologies of tomorrow, ways will have to be found to strengthen our research and development capabilities, particularly in the private sector.

Some options are to see the Alberta government commit more funding to science and technology...to provide additional incentives to encourage the private sector to undertake more research and development...or to leave the issue entirely to the marketplace.

Should the Alberta government offer special incentives to attract knowledge-intensive companies to the province? How do we ensure that the research conducted at our universities contributes to the economic development of the province? How can existing links between the private sector and the province's universities be improved?

7. Albertans will need to consider if government should make a commitment to be in the forefront of certain high-technology, manufacturing and service industries. Alberta companies have considerable potential to succeed in such industries as advanced materials, biotechnology, electronics and telecommunications, aerospace, industrial machinery and equipment, engineering, and computer services. However, there is a continuing debate on the extent to which the Alberta government should use public funds to encourage development of these industries. Experience in other jurisdictions has demonstrated that success in attracting investment in these areas often depends on government playing a significant role, along with a commitment to a specific development plan prepared and implemented by all stakeholders.

Some options are to see government target high potential industries and provide significant funding support to directly assist industry...to provide only infrastructure support, such as advanced technology centres to assist industry in the development of new products and processes...only matching the levels of support provided to such industries by other provinces and states...or providing no special funding for such industries, but offering an attractive climate for all businesses in Alberta.

Should the Alberta government even be in the business of promoting the advanced technologies, or should market forces be allowed to prevail? How much risk should the Alberta government be prepared to assume in supporting the further development of these industries? Should the Alberta government be willing to match levels of assistance available elsewhere in competing for high-technology investment? These are all difficult questions. It is important to recognize, however, that the risk of doing nothing is that Alberta may miss out on the potential growth opportunities these industries can provide.

8. Albertans will need to look at whether a larger share of the Alberta Heritage Savings Trust Fund should be used to support our economic diversification objectives. The Heritage Fund, which was established in 1976, now has assets of over $12 billion. Non-renewable resource revenues are no longer contributing to the Heritage Fund and the annual income earned on investments is transferred from the Fund to General Revenues. During the 1980s, and in recent years, this has helped maintain the range and quality of government services provided to Albertans, while lessening the provincial tax burden on both individuals and businesses. It has been estimated that the contribution made by the Heritage Fund to the government's operating revenues represents the equivalent of a 6% sales tax.

Some options are to make economic diversification the overriding objective of the Heritage Fund...to use the Fund primarily as a stable source of government revenue for maintaining lower taxes in Alberta...or to continue with the existing balance of social, fiscal and economic objectives.

Should government establish a separate "diversification fund" to finance new programs and initiatives in support of economic development? Should government return to the practice of placing a portion of annual non-renewable resource revenues in the Heritage Fund for future generations, even if this means higher taxes today? Should a portion of the Fund's annual investment income be retained, or should all investment income continue to be transferred to General Revenues?

These and other related issues show the complexity of developing an economic and diversification strategy to lead Alberta into the next century. This is why the participation and input of all Albertans in the development of this strategy is so important ...and why the Alberta government is giving such a high priority to a full public discussion of these issues.

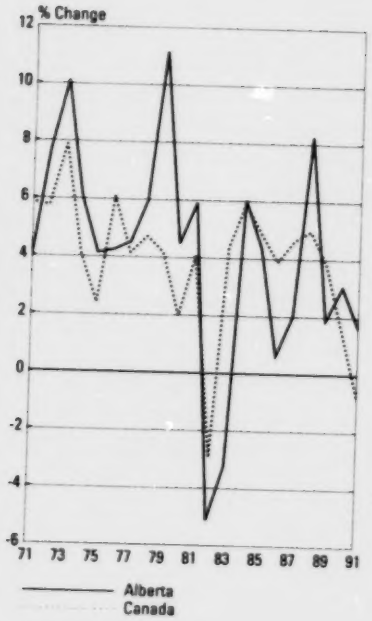
3.0 SETTING THE CONTEXT FOR THE 1990s

3.1 The Past 20 Years

Over the past two decades, Alberta's increasingly industrialized and urban economy has realized substantial gains in growth and development. From 1971 to 1990, the size of the Alberta economy more than doubled in terms of real Gross Domestic Product (GDP), while the population increased by about 55% — from 1.6 million in 1971 to just under 2.5 million in 1990.

Despite this strong growth, the economy has also been subjected to major cyclical swings. As Figure 1 shows, Alberta has generally outperformed the Canadian economy. However, the pace of economic growth has not been as steady in Alberta as in Canada as a whole. The results have been a higher standard of living for Albertans, but also a more variable economic environment with more pronounced business cycles.

Comparison of Annual Real GDP Growth



Source: Alberta Bureau of Statistics

In the past, the pattern of Alberta's economic growth has reflected the rapidly changing market conditions within the energy and agriculture sectors which have a major influence on the economy as a whole. Highly volatile international prices for such commodities as oil, gas and grains, particularly in the 1980s, have had a direct impact on the level of spending and investment by these industries.

The major business cycles in the Alberta economy since 1970 can be directly traced to the fortunes of the oil and gas industry. The OPEC-induced price increases in 1973 and 1979 generated real growth rates in Alberta of more than 10%, far exceeding the Canadian rate of growth. Conversely, the downturn in the Alberta economy from 1981 to 1983 can be largely attributed to the federally-imposed National Energy Program, which substantially reduced cash flow to the oil and gas industry. This drain on the Alberta economy resulted in a decline of almost 30% in annual investment between 1981 and 1984, causing a more severe and prolonged recession in Alberta than in Canada as a whole.

Businesses and individuals have also been affected by the economic and social costs associated with this economic variability. Difficulties occur not only during growth slowdowns but also in periods of rapid growth. During the boom cycles, the province has been faced with problems of an overheated economy, including housing shortages, inflationary pressures on wages and prices, and excessive demand for government infrastructure and services. Inflated wage rates and high construction costs during the boom periods made it difficult for manufacturing and advanced technology firms to compete with the energy sector for skilled labour and capital.

The sudden downturn in Alberta's economy in the early 1980s was in sharp contrast to the overheated economy of the 1970s. Business failures and unemployment increased; salaries and wages dropped; and real estate markets fell. In response, many Alberta businesses began to rationalize their operations, to shift emphasis from slow to high-growth potential segments of their industries, and to explore new market development opportunities. While this period of structural adjustment created short-term problems, it also resulted in a much more efficient and competitive economy, particularly in the resource industries.

3.2 Elements of Alberta's Diversification Strategy

Economic diversification has been a continuing economic priority of the Alberta government since the early 1970s. Even with the rapid growth of the provincial economy in the 1970s, the Alberta government recognized a need to diversify and become less dependent upon the sale of unprocessed resources.

Efforts to broaden Alberta's economic base were stepped up in the 1980s, particularly in light of the instability in the energy sector, and to a lesser extent, the agriculture industry. Although Alberta's current economic and diversification strategy has evolved over time, it essentially includes eight key policy and program elements, as outlined in the chart on the following page.

KEY ELEMENTS OF
ALBERTA'S CURRENT ECONOMIC STRATEGY

- **establishing the Alberta Heritage Savings Trust Fund** — to help maintain lower taxes, and strengthen and diversify the Alberta economy;

- **maintaining a positive business climate** — to provide a stable and progressive environment for investment and business development in all regions of the province;

- **establishing an extensive infrastructure** — in education, health care, transportation, communications and municipal services;

- **adding value to resources** — to see Alberta's resources upgraded into higher value-added products before leaving the province;

- **developing world-class universities and an extensive science and technology infrastructure** — including significant investments in Centres of Advanced Technology to encourage and support the development of the province's advanced manufacturing and service industries;

- **developing world-class tourism facilities and events** — to see Alberta capitalize on rapid international growth in business and personal travel;

• **providing support for business development** – where the marketplace has not responded to business needs or conventional financing has not been available; and

• **developing new export markets** – to help Alberta companies sell their products, services and expertise around the world.

3.3 Progress Achieved in Diversifying Alberta's Economy

Diversification of an economy is not something that happens overnight. Rather, it is a continually evolving process which takes years to accomplish any measurable progress in aggregate terms. This process involves the development of a new industrial structure, an economic and social infrastructure to support industry, and human resources capable of pursuing new opportunities.

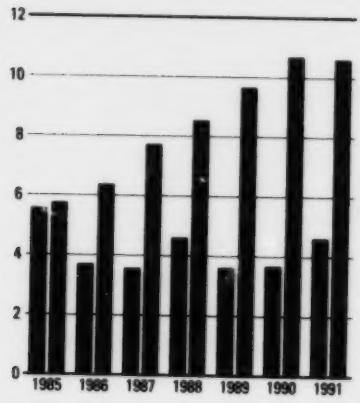
One of the most common perceptions about Alberta is that the performance of the economy is directly tied to energy prices and the level of investment activity in the oil and gas industry. This was certainly the case in the 1970s, as the economic importance of the oil and gas industry steadily increased throughout the decade, accounting for more than 34% of Alberta's total production (GDP) by 1980.

Despite the fact that substantial investment took place in new industries, products and services in the 1970s, the rate of growth in the energy sector escalated at such a rapid pace that Alberta's dependence on oil and gas continued to increase throughout the decade.

Since 1980, however, this trend has reversed and the relative importance of the oil and gas industry has declined. This is due not only to lower world crude oil prices, but more significantly, to the accelerated growth and expansion of non-energy related industries, building on the foundation established in the 1970s. Major new threshold industries have developed in forest products, petrochemicals, business services, electronics and telecommunications, and other advanced technology areas. By 1990, the oil and gas industry accounted for less than 20% of Alberta's GDP. This represents a major structural shift in the economy over the past decade.

The benefits of a more diversified economic base are evident from the performance of the Alberta economy in recent years. Despite substantially lower average world energy and grain prices since 1986, the Alberta economy has continued to expand. In fact, 89,000 new jobs were created in Alberta between 1986 and 1990. Virtually all of the employment growth has occurred outside the primary energy and agriculture sectors. A total of 17,000 jobs were created in 1990.

Private Investment in Alberta
(Billions of $)



Source: Alberta Bureau of Statistics

New industrial development and continued strong performance in advanced technologies, forest products, business services, tourism, and petrochemicals and plastics have served to offset the relatively weak performance in the energy and agriculture sectors since 1986, contributing to the healthy growth in employment and output. Investment activity in these industries continues to increase and, as demonstrated in Figure 2, will provide the impetus for even stronger and more diversified growth in the future.

Industry/Sector Achievements

Alberta now has a much larger and diversified industrial base than it had 20 years ago. Even in traditionally strong areas of the Alberta economy, diversification has meant a more specialized product range with greater value added. In terms of services and new technologies, Alberta is much better positioned than it was even a decade ago.

Examination of the various Alberta sectors/industries reveals significant and broad-based progress toward diversification.

Energy

The energy sector has provided the foundation for much of the diversification that has occurred in Alberta. Oil and gas resources have attracted substantial wealth to the province, creating markets for secondary manufacturing and advanced technology firms. Major investment in oil sands and heavy oil development has helped to ensure that the oil industry will continue to be a vital component of Alberta's economy for years to come, while at the same time contributing to a secure supply of oil for Canada's future. The Alberta Oil Sands Technology and Research Authority (AOSTRA), established by the Alberta government in 1974, has played a key role with its industry partners in developing the province's vast heavy oil reserves.

Synthetic crude oil production from Alberta's two commercial oil sands plants — Suncor Inc., built in the 1960s, and Syncrude Canada Limited which began operations in 1979 — now accounts for about 15% of Alberta's total crude oil output. With the $1.2 billion Husky Oil Upgrader, currently under construction, and the proposed $4.1 billion OSLO project, synthetic crude oil production will likely account for more than 25% of total crude oil production by the end of the decade.

Substantial investment has also taken place over the past 15 years in "in-situ" technology to recover bitumen deposits that lie too deep for surface mining. About 25 active experimental and commercial in-situ projects in Alberta currently produce nearly 10% of the province's total crude oil and equivalent output. Most of this production is exported to the United States; however, the Husky Oil Upgrader will contribute to the further processing of this bitumen in Canada. The Alberta government has been a major partner in this joint venture, along with Saskatchewan, the federal government, and Husky, to build and operate the upgrader which is scheduled to start production in 1992.

Alberta has become a recognized leader in exploration and production technology, and these products and services are exported around the world. Alberta oil and gasfield equipment manufacturers and service firms generated more than $200 million in export sales in 1990.

In addition to the direct contribution of the energy sector to the Alberta economy, oil and gas resource royalties have been used to establish the $12 billion Alberta Heritage Savings Trust Fund, a key vehicle for funding diversification initiatives.

Agriculture Products and Food Processing

Alberta has one of the world's most productive agricultural economies, producing more than 20% of Canada's annual output. Diversification of agricultural crop production into areas such as canola and high-demand specialty crops has helped to lessen the province's dependence on wheat. Canola, first introduced on a large scale in the 1970s, has become Alberta's second largest cash crop, next to wheat.

Alberta's program to upgrade and expand irrigation infrastructure in the 1980s has done much to increase production of specialty crops in southern Alberta. Some 434,000 hectares (1.1 million acres) of irrigated lands represent approximately two thirds of all Canadian land under irrigation. The $350 million Old Man River Dam project, scheduled for completion this year, will enhance waterflow in the Old Man River and allow for further expansion of irrigation in southern Alberta.

Alberta's livestock industry, which accounts for more than half of the province's farm cash receipts, has created a stable market for feed grain producers while providing a basis for a large meat processing industry. The development and export of genetic products and technology from Alberta's cattle industry has also expanded rapidly in recent years.

Throughout the last decade, the food processing industry has continued to restructure and expand its production capabilities, enabling the industry to competitively export value-added products. The value of processed food shipments, $4.5 billion in 1990, now exceeds the value of primary agricultural production in Alberta.

Research and technology continue to be keys to expanding and diversifying agriculture and processed food production. The Alberta Food Processing Development Centre, which opened in Leduc in 1984, helps firms develop and commercialize new and improved products and apply new processes. The Alberta government has also established a sophisticated network of agriculture research facilities including the University of Alberta Ellerslie Research Station, the University Farm, and the Alberta Agricultural Research Institute. As well, Alberta Agriculture conducts research at various locations throughout the province.

Forest Products

The forest products industry has become a major success story in contributing to Alberta's diversification efforts over the past three to four years. With approximately $3.5 billion in projects recently completed or announced, Alberta has emerged as a major international focus for forest industry investment. Using the latest technologies available, these projects will make Alberta's forest products industry one of the most efficient and environmentally-safe in the world.

Forest industry shipments, which amounted to more than $1.6 billion in 1990, are expected to nearly double over the next few years. In addition to the thousands of direct jobs created by these new forest industry developments, the increased expenditures in Alberta will greatly enhance business opportunities throughout the province. Through the province's stringent environmental standards and forest management planning process, Alberta continues to make a strong commitment to ensuring environmentally-sustainable development of the forest industry.

The current round of investment has already created opportunities for the manufacture of industrial chemicals to supply the pulp and paper industry. Construction is under way on three sodium chlorate plants (valued at more than $155 million) and a hydrogen peroxide plant ($120 million).

Alberta companies are also producing a growing range of semi-finished and finished wood products such as aspen furniture, log homes, and specialty lumber products, that are gaining increasing recognition in international markets. Lumber producers are also making inroads into overseas markets in Japan and Western Europe.

Chemicals and Plastics

The petrochemical industry has evolved from the energy resource base to become one of the largest manufacturing industries in Alberta. Industry shipments of petrochemicals and other chemical products were valued at $3.5 billion in 1990, of which nearly half were exported outside of Canada.

Approximately $6 billion was invested in petrochemical and related facilities in the late 1970s and early 1980s. The present day ethane-based petrochemical industry began in 1979 with the start-up of the province's first world-scale ethylene plant. Alberta now produces a range of ethylene derivative products, including polyethylene, ethylene glycol, vinyl acetate, vinyl chloride monomer, polyvinyl chloride, and styrene. Alberta is also a major producer and exporter of methanol and nitrogen-based fertilizers, based on natural gas as a feedstock.

A new round of petrochemical investment (valued at more than $1.5 billion) is currently planned, which will further expand Alberta's petrochemical capacity in value-added products. This includes an $800 million hydrocarbon and petrochemical project in Fort Saskatchewan, as well as the $350 million MTBE (octane enhancer) facility near Edmonton, and a $385 million expansion of the ethylene glycol facility near Red Deer. These facilities are based on Alberta's extensive hydrocarbon reserves, and have been facilitated by the province's regulatory environment and ethane policy.

New investment activity in the downstream plastics processing industry has seen a much larger and more diverse range of plastics products manufactured in Alberta in recent years.

Advanced Technologies and Products

The advanced technology sector emerged in the 1980s as a major component of Alberta's diversification strategy. As an example of Alberta's overall success in the advanced technologies, more than 50,000 Albertans are now employed by approximately 1,000 advanced technology enterprises operating in the province.

Alberta companies are involved in a wide range of activities, including the development of medical technologies (supported by the Alberta Heritage Foundation for Medical Research), biotechnology, pharmaceuticals, advanced industrial materials, aerospace industries, telecommunications and electronics, instrumentation, computers and software.

With one of the largest per capita research budgets of any Canadian province, Alberta has made no secret of its goals to encourage scientific and technical excellence in its industrial community. Weighing the admitted risk against ultimate rewards, the province has invested heavily in new research centres and in programs aimed at encouraging industrial research, commercializing promising university-based technology, and pursuing markets for Alberta's high-technology products and expertise.

The $140 million WESTAIM project at Fort Saskatchewan is an excellent example of the new industry/government cooperation that is required to put Alberta in the forefront of advanced materials technologies. A world-class research centre operated by WESTAIM Technologies Inc. is now in operation, enhancing Sherritt Gordon's traditional metal refining and manufacturing operations.

Business Services

This important sector should not be overlooked in its contribution to the development and diversification of the Alberta economy. Business services...such as engineering, computer software and information-based services, scientific, technical and environmental services, and marketing and promotion services...not only enhance the efficiency and competitiveness of Alberta's goods-producing industries, but also generate wealth in their own right. Business service exports are currently estimated at more than $500 million annually and have significant growth potential.

Alberta-based service firms have been extremely successful in developing technologies in a number of environmental protection applications which meet or exceed internationally-recognized standards of excellence. Areas of expertise include land and water management, industrial waste treatment, sewage and chemical waste treatment, recycling and waste management, and sulphur recovery.

The film, video and broadcast industry is another service industry that has grown in importance over the past ten years, and currently employs about 1,000 Albertans in Edmonton, Calgary and smaller centres throughout the province.

Tourism

Tourism revenues in Alberta have more than tripled since the late 1970s, totalling approximately $2.6 billion in 1990. With tourism forecast to become the world's largest industry by the year 2000, Alberta's tourism industry expects to capture a growing share of this market over the next decade.

Outstanding tourism facilities such as the Royal Tyrrell Museum of Palaeontology, Head-Smashed-In-Buffalo-Jump, the all-season Kananaskis Country, and West Edmonton Mall...combined with Alberta's scenic beauty and reputation for hosting such major international events as the 1988 Winter Olympics — have all contributed to the promotion and growth of tourism as a major industry in Alberta.

Major new tourism and recreation facilities currently planned for the Bow-Canmore Corridor, and the multi-million dollar Createm International resort, proposed for a site southwest of Edmonton, will further enhance Alberta's reputation as an international tourist destination.

3.4 The Changing Economic and Policy Environment

In addition to coping with short term market cycles, Alberta businesses are also facing some longer term structural changes as a result of the increasing internationalization of business. Rapid technological change, the lowering of domestic, national and international trade barriers, and the resulting trend toward a greater integration of international consumer and industrial markets have all contributed to the phenomenon of "globalization".

Technological innovation is dramatically changing the nature of industrial production. With the increased globalization of economic activity, the ability to enhance the development and application of new technologies will be critical to Alberta's long term economic growth, prosperity and future competitiveness.

Strategic or enabling technologies — such as information and communications technologies, advanced industrial materials and bio-technology — are providing the basis for a fundamental transformation and restructuring of industry worldwide. Not only are these technologies being used to develop and produce new products and services, they are revolutionizing existing methods and approaches to industrial production.

These technologies have the potential to impact on the demand for many of the commodities, products and services we now produce. In some cases, their commercial application could either increase, lower or transform the nature of that demand. For example, the increased use and application of advanced plastics and composites in various manufacturing processes might be expected to shift or change the demand for more traditional inputs (e.g., steel, fabricated metals, etc.).

The rapid pace of technological innovation could also impact on such areas as energy demand, through increased production efficiencies, as well as on the general skill mix of employees across industries. With some of these technology-related trends likely to have major implications for Alberta's economic and diversification strategy, public input and suggestions for dealing with these changes will be invaluable.

International and domestic competition is expected to intensify as a result of the continuing trend toward greater trade liberalization. New and emerging international trade agreements — such as the Canada/United States Free Trade Agreement, the Uruguay Round of Multilateral Trade Negotiations, and a potential North American Free Trade Agreement — will all undoubtedly influence the current and future market access for Alberta exporters. A reduction of internal trade barriers would also influence and enhance trade development opportunities within the domestic market. At the same time, however, Alberta businesses may also see increased competition from both foreign and other domestic competitors in traditional Alberta markets.

Changing demographics is another long term structural change facing business in Alberta and in much of the industrialized world. The average age of the Alberta population is rising. The size of the 15 to 24 age group is declining, while the number of Albertans aged 45 years and older is increasing. A falling birth rate and decreased in-migration from other provinces during the 1980s contributed to this demographic shift.

Meanwhile, immigrants and natives continue to experience higher than average birth rates, thus forming a larger proportion of the youth population than in the past. By the year 2000, most new entrants to the workforce will be either women, natives, recent immigrants or persons with disabilities. In short, Alberta's traditional supply of labour is declining and it will be essential to draw upon all available sources of labour to offset shortages and maintain economic competitiveness.

The changing nature of the labour market in the 1990s will have significant implications for businesses in terms of hiring practices, working arrangements (to provide more flexibility for women and older workers), and training requirements. The aging of the population will also have a far-reaching impact on the mix of goods and services demanded by consumers, as well as on social and health care costs.

Also impacting on the structure of the workforce is the continued shift in employment from resources and other goods-producing industries to the service sector. Combined with the increasing diversity of labour force participants, the overall structure and fabric of the Alberta workforce will likely continue to see profound changes in the years ahead.

Society's changing attitude toward the environment is certainly one of the most pervasive and talked-about structural shifts facing business today. This will have major implications for businesses as they adjust to more stringent environmental standards, develop and market new products and services, and plan new investments. Economic competitiveness and rapid technological advances, together with an increased awareness of environmental impacts and a growing environmental concern, are all critical issues which will continue to confront Albertans in the years ahead.

The institutional framework of Canada and the current political context must also be fully considered in developing Alberta's future economic strategy. These issues will undoubtedly affect the options available to Albertans and the choices we make in building a strategy that will enable Alberta to compete and prosper in the 21st century.

A strong and vibrant economy requires a stable political environment. If current uncertainties over Canada's constitutional and political future are not satisfactorily resolved, business and investor confidence could be affected. Furthermore, with the expiry of the Meech Lake Accord, national unity has become a dominant concern for the federal government, the provinces, and all Canadians, complicating the efforts of governments to address other important issues.

Alberta's economic future could be significantly affected by a shift in constitutional responsibilities between the federal government and the provinces. Clarification of these responsibilities could reduce federal/provincial tensions, duplication and overlap. This would be positive for the Alberta economy. However, it is impossible to forecast what the outcome of the national debate will be. Our strategy must therefore be sufficiently flexible to meet a broad range of contingencies.

3.5 The Future Challenge

The decade of the 1990s will be characterized by a growing interdependence of countries in the trade of goods and services, in technology transfer, and in financial transactions. This will further increase international competition and make trading nations, such as Canada, more open and vulnerable to trends and events which take place worldwide.

Competitiveness in the international marketplace will be the key to economic prosperity in the 21st century. The key issues confronting industry in the years ahead will be technological innovation, globalization of investment, production and marketing, and the ability to respond quickly to specific market demands.

With increased international competition, Alberta firms will have to place greater emphasis on technological innovation to reduce costs and to develop new products and services. Although price competitiveness will remain important, quality and reliability will increasingly determine the level of success in the international marketplace. Some firms will have to make significant adjustments to remain competitive. Government will have to ensure that any assistance it provides to industry facilitates, rather than postpones, the necessary adjustments.

Assistance aimed at postponing or resisting change has a negative impact on competitiveness and is often extremely costly over the long run. In the 1990s, government adjustment strategies will need to be designed and measured according to the speed with which they enable firms and industries to adapt to the changing economic environment.

How do we increase our adaptability? Our flexibility to respond quickly to both competitive challenges and new business opportunities? How do we rationalize and strengthen the competitiveness of Alberta industry? What are the most appropriate roles for government and the private sector to play?

Ultimately, the answers to these questions and the overall success achieved will depend largely on how well individual companies adjust to increased competition, and how swiftly they take advantage of the new opportunities. Simply reacting to change will not be enough. To emerge in a stronger and more competitive position, change must be anticipated and strategies developed to capitalize on new investment, business development and marketing opportunities.

Following are the three broad elements which government proposes as a framework for Alberta's economic and diversification strategy for the 1990s — Building on Our Human Resources; Enhancing the Environment and Quality of Life; and Strengthening Business Resources.

The major challenges of the 1990s — competitiveness, sustainable development, an effective workforce, and building a stronger and more dynamic partnership among all economic participants — are addressed in each section. Together, they present Albertans with a broad overview of some of the key issues and policy options which will need to be considered in developing Alberta's economic strategy for the 21st century.

4.0 BUILDING ON OUR HUMAN RESOURCES

Alberta's rich and diverse natural resources have provided a strong foundation for economic growth and prosperity. As we move toward the 21st century, however, global competitiveness will depend less on these natural advantages and more on the skills, talents, and entrepreneurial spirit of individual Albertans. The key to future growth and prosperity clearly lies in Albertans' ability to develop and use new technologies to create higher value-added products and services, and to become more productive and competitive internationally.

An increasingly competitive business environment demands continual investment in human resources — by government, the private sector, labour, educators and individual Albertans. The Alberta government recognizes that a well educated, highly trained and adaptable workforce will be Alberta's major strength in the 21st century. The Alberta government is therefore committed to promoting skills development, encouraging life-long learning, and ensuring that all Albertans have the opportunity to participate in the province's future development.

As part of the Toward 2000 Together Initiative, Albertans are being encouraged to provide their views on how best to maintain a productive and adaptable workforce into the next century. The success Albertans achieve in responding to these fundamental challenges will be critical to our future competitiveness, prosperity and quality of life.

4.1 Integrating Educational and Economic Priorities

Alberta's ability to compete both domestically and internationally will increasingly depend on how well the new information technologies are used, how quickly they are integrated into the production process, and how successfully Albertans are prepared and trained to use them. While Alberta's education system must continue to meet the broader social need of delivering quality basic education, it must also provide young Albertans with the core skills (e.g., analytical, problem solving, and communications) and specific technical and vocational skills required to support a productive economy.

Education must complement and support the choices and decisions that individuals make. We must ensure that young Albertans have access to a wide variety of educational programs and opportunities at both the secondary and post-secondary levels. Access to technical training and post-secondary education must continue to be widely available to young people and not limited by the economic circumstances of their families or their community.

Investment in the education and training of our workforce must embrace not just a portion of our population but the broadest possible number. Our commitment must be to ensure that all Albertans can participate and share fully on equal terms in the cultural, economic and social diversity of the province and in its future development.

The business community is often critical of the skills many high school graduates bring to the labour market. Businesses are also concerned about the large number of young Albertans who fail to complete high school. In the future, it will become increasingly important that business leaders work more closely with the province's secondary education system to address these issues.

The business community has an important role to play in the education of students. Business people must be partners in shaping the content of the curriculum and in providing young people with a practical understanding of the relevance of their studies and the expectations of the workplace.

Education is Essential for Economic Prosperity

Alberta currently has one of the country's best educated and most highly skilled workforces. Recent data show that 18% of the Alberta labour force hold a post-secondary certificate or diploma, and 15.5% hold a university degree, as compared to the Canadian averages of 16.3% and 14.9% respectively. In addition, the proportion of young people completing high school continues to increase and more Albertans are opting for post-secondary education and training.

These are encouraging trends. On the other hand, many Albertans still lack the basic literacy and mathematics skills needed to complete a standard job application.

Alberta's high school drop-out rate is estimated to be 30%. Yet by the year 2000, Employment and Immigration Canada projects that almost half of all new jobs will require more than five years of combined education and training beyond the completion of high school.

The growth in the province's service sector has generated plenty of part time jobs for young Albertans. More and more students are working nights and weekends, sometimes to the detriment of their school work. Alberta's high school drop-out rate is estimated to be 30%, comparable to the overall Canadian rate, but much higher than that in other industrialized countries. Without a concerted effort to ensure that they have the basic education needed to acquire higher job skills, too many of these young people will find it difficult to realize their full potential.

Clearly, the graduation rate must be improved and the drop-out rate reduced if we are to minimize the school-to-work transition problems faced by many young Albertans. How can we achieve these objectives and encourage students to stay in school to get the education they need to be successful? How can government, educators, businesses and parents work together to implement programs that improve basic skills, attendance, motivation, self-esteem, and the success of students at risk of dropping out of school? How can these groups work together to help students achieve an appropriate work/school balance? Do we need to re-examine legislation covering youth employment?

These and other related questions are currently being addressed through two Alberta government initiatives — "Vision for the Nineties...A Plan of Action" (a vision for education in the 1990s) and "The Future of Work" (ongoing consultations with Albertans on a range of workplace issues).

Alberta must also find better ways to prepare students for the work world by giving them transferable generic skills in areas such as basic problem solving and communications. Moreover, the Alberta government, the secondary and post-secondary educational institutions, business and labour will need to consider innovative approaches to improving the school-to-work transition for young Albertans.

If business is to assume a larger role in determining educational priorities, it should also expect to assume more responsibility for raising funds in support of educational institutions. Again, all economic participants will want to consider carefully the potential benefits and costs of more fully integrating Alberta's educational and economic priorities. This integration of priorities will, of course, need to satisfy two complementary goals...ensuring that Alberta has the skilled and adaptable workforce it needs to compete in the global economy...while continuing to contribute to the development of informed, productive, and socially responsible citizens.

4.2 Promoting Skills Development and Life-Long Learning

Among the trends expected to transform the nature of work and shape Alberta's workforce in the 21st century are globalization, technological advances, an aging and more diverse labour force, seasonal and cyclical changes in Alberta's primary industries, and the shift from a goods-producing to a services-producing economy.

These trends are generating a demand for a highly skilled, well-educated and adaptable workforce. Moreover, they point to the need for a system in which workers can be trained and retrained quickly to fill new jobs.

Estimates show that young people now entering the workforce will experience, on average, over four career changes during their working lives.

Growing international competition makes workforce upgrading and ongoing skills development a priority. The Alberta government and the federal government must continue to work together and cooperate with private business, unions, educators, non-profit organizations and communities in order to meet the challenges of the new economy and the needs of those Albertans who are displaced by economic transition.

The Alberta government clearly has a role to play in enhancing awareness and understanding of the labour market, minimizing labour and skill shortages, cushioning the impact of cyclical and seasonal shifts, and helping workers displaced by economic transition return to the labour force. Traditionally, government has played a fundamental role in the development of workers through the education system and through support for employer-based training. Are the present methods and mix of institutional and industrial training programs appropriate? Do the current systems have the ability to respond quickly and adequately to new skill requirements?

The current and future role of employers in training and retraining workers still needs to be clarified. Alberta companies are often complacent about training their workers and many appear to view workplace training as an expense, rather than as a long term investment in productivity, competitiveness and profits. This may explain why the amount of workplace training currently provided by Alberta employers falls far short of that provided by some of the province's major trading partners. As a result, employers in the United States spend roughly twice as much on workforce training as their Canadian counterparts.

There are compelling reasons why such gaps in the training culture need to be addressed. Demand is already increasing for employees who are highly adaptable and able to work with the new technologies. Most new jobs in the 1990s will require higher education and skill levels than ever before. Recent surveys show that roughly two-thirds of today's workers will still be in the workforce in 2005, suggesting that a massive training and retraining effort will be required. In short, yesterday's skills will not be enough to capture tomorrow's opportunities.

Training efforts will need to cover both basic literacy training and training for higher level skills. Again, government, business, labour and educators must work together to design relevant training and vocational programs, reverse the trend toward declining enrolments in technical and scientific areas, and reduce the drop-out rate among high school students.

The Alberta government has made a strong commitment in this regard. It will continue to offer support and encouragement to employers to take a more active role in workforce training. At the same time, the government recognizes that employers and labour are in the best position to identify emerging skill requirements. Their input is therefore needed to design and deliver relevant training programs. The goal of all parties involved should be to develop, support and maintain responsive, employer-based training and retraining mechanisms which support economic development, diversification and restructuring.

More Knowledge and Information-Intensive Jobs

In the knowledge-based economy of the 1990s, skilled people will be Alberta's most valued resource. Increasingly, the province's economic success will be measured by Albertans' ability to adapt quickly to change, producing goods and services that meet international standards of excellence.

Changes in the labour market will intensify over the next decade as new technologies and growing international competition cause certain industries to restructure and new industries to expand. At the same time, demographic shifts are expected to alter substantially the nature of the workforce. Workers' average age will continue to increase, and women will account for an increasing proportion of both the Canadian and Alberta labour forces.

Government, which has traditionally developed policies and programs to assist those adversely affected by labour market changes, faces new challenges in a knowledge- and information-based economy. In response, the Alberta government is developing a new labour market strategy that recognizes and emphasizes the importance of training. The aim is to promote and foster a training culture that underscores the importance of life-long learning.

This strategy reflects a shift in government policy away from wage subsidy programs and toward financial incentives and other assistance to the private sector in building a training culture. This represents a more proactive role for the Alberta government in helping individuals and employers deal with critical labour market issues.

Skills development is a key to ensuring Alberta's enhanced competitiveness in global markets. Fostering a skills development and training culture, where employers and individual Albertans recognize the importance of education, training and life-long learning, will be essential if Albertans are to be prepared for the jobs of tomorrow.

4.3 Equal Opportunities for all Albertans

In today's technologically complex society, job opportunities do not guarantee gainful employment for all Albertans. Even in a strong economy, those with weak educational backgrounds or few skills may experience difficulty in finding employment as jobs become more sophisticated. Increasingly, the skills of the unemployed fail to match the requirements of available jobs.

Since the major determinants of a worker's success in the job market of today and tomorrow are education and skill level, the need for training is paramount. This is particularly true for those Albertans who have traditionally faced barriers to employment and career advancement, such as women, natives, immigrants and persons with disabilities. In addition to a lack of appropriate education and training, such barriers often include inadequate work experience, insufficient labour market information, poor access to support services, lack of English language skills, and stereotypes concerning the skills and abilities of certain groups.

Growing concerns about fairness in the workplace are being raised by a variety of special interest groups. Fairness in the workplace encompasses such issues as equal access to training, employment and advancement opportunities, as well as fairness in compensation and benefits.

These concerns are important, not only from a social justice perspective, but also from a labour market perspective. Many groups not participating fully in the labour market today will be an increasingly valuable source of labour in the 1990s. Although no agreement exists as to the most appropriate response to these issues, they will present a major challenge to society over the next decade.

Over 70% of new entrants into the workforce are women, aboriginal people, visible minorities and persons with disabilities. By the year 2000, it is projected that these four groups will constitute 80% of all new entrants. With a reduced number of young entrants to the labour market, these groups which have historically faced severe barriers in entering the workforce, will become the most improtant source of supply to employers.

At the same time, the province will also begin to rely more heavily on immigrants to meet its labour market needs. The majority of Alberta's recent immigrants have come from non-European nations and this trend is expected to continue well into the next century.

It is critical that those Albertans who have traditionally faced barriers in the labour market be brought more fully into the economic mainstream. This is important not only in promoting equality of opportunity but also in securing Alberta's future competitiveness.

Workplace practices, structures and laws were designed for a workforce much less diverse than today's. As Alberta's workforce becomes increasingly diverse, we will likely see mounting public pressure for more equitable hiring, promotion and compensation. Employers, for their part, can expect to experience more difficulty in finding and keeping good workers unless they adjust employment practices to accommodate the new workforce.

Whether the market alone can effectively respond to these challenges is not yet clear. It may be that there is a need for a greater role by government in facilitating the necessary adjustments through legislation and/or other initiatives and programs.

The increasing inability of unskilled workers to earn a living wage, even when two or more people in the same family work, is becoming a major concern. One response may be to provide unskilled workers with training so they can move into better jobs. However, low-end jobs are not going to disappear...we can expect to see even more low-end jobs to be created in areas such as personal, food and accommodation services.

Who will do these low-end jobs and how do we ensure that they are treated fairly and with respect? How do we prevent the development of an underclass of "working poor"?

Resolving issues of fairness in the workplace will take a concerted effort by all stakeholders, including government. Moreover, Albertans must adopt more progressive and accepting attitudes concerning all participants in the labour market.

Alberta will only realize its full economic and social potential if all Albertans are provided with a fair and equal opportunity to fully develop and challenge their individual talents and abilities.

In summary, Alberta will need the talent and energy that all Albertans can bring to the workplace in order to remain internationally competitive in the 1990s. Full equality of opportunity will require a continuing commitment to improve the educational, training and economic opportunities for all Albertans, regardless of gender, race or ethnic origin, age, or physical or mental ability.

4.4 Encouraging the Entrepreneurial Spirit

Alberta was built by entrepreneurs — men and women of vision and energy, determined to make their dreams come true. To succeed in the 1990s and beyond, Alberta must continue to nurture a dynamic entrepreneurial culture, build on the province's tradition of self-reliance, and encourage more young Albertans to look upon self-employment as a viable career option.

Alberta has relied on the ability of its entrepreneurs to identify and take advantage of new business opportunities. Much of Alberta's economic growth and prosperity is a direct result of entrepreneurial activity and the growth in the province's small business sector. The Alberta government has sought to support this growth by working with other levels of government, educational institutions, and the private sector to encourage private enterprise in all regions of the province.

A vibrant entrepreneurial culture contributes to and facilitates economic growth and diversification. It is in the start-up companies of today that the focal points for business growth and development in the 1990s are to be found.

In recent years, increasing numbers of Albertans have shown an interest in starting their own businesses and being self-employed. Many of these start-up companies have been very successful in creating new and profitable opportunities for those willing to take the risk. However, a culture in which individuals see greater opportunities for themselves through self-employment does not just happen — it must be encouraged and supported by society and its institutions.

Supporting Entrepreneurship

The Alberta government recognizes that strengthening the entrepreneurial environment is essential to economic growth and diversification ...and to securing Alberta's place in tomorrow's economy. In the future, all economic participants will need to look more closely at developing new, cooperative approaches which encourage entrepreneurial activity and nurture the successful start-up and growth of new business ventures.

Educational institutions can help promote entrepreneurship by more effectively incorporating entrepreneurial values and approaches into their course work. In this way, primary and secondary schools, community colleges, technical institutes, and universities can all make their students fully aware of the role and contribution of entrepreneurs to society and the basic skills required by an entrepreneur to establish and operate a small business.

Other areas where the province's technical institutes and universities could further contribute to the development of a stronger entrepreneurial culture might include:

- creating a more systematic approach for integrating business and management courses within the technical and engineering curricula; and

- supporting entrepreneurial exchange programs aimed at introducing new management and marketing concepts into Alberta.

Business and labour also play an important role in developing an entrepreneurial mind-set in employees. In the future, these groups will need to assume even greater responsibility in this area, with the necessary support structures provided by government and the educational institutions.

CREATING A MORE ENTREPRENEURIAL ENVIRONMENT

• Enhance public awareness of the important contribution of entrepreneurs and small businesses to Alberta's economic well-being.

• Maintain a business and investment climate that encourages risk taking and the development of new business ventures.

• Promote self-employment as a viable career option.

• Actively support the development of entrepreneurial skills in management and enhance the management skills of entrepreneurs (e.g., in key areas such as finance, marketing, personnel management, and technological innovation).

• Provide information and counselling services to entrepreneurs interested in starting or expanding their own businesses.

• Ensure that financial institutions and the investment community are fully aware of the benefits of improving access to capital for those entrepreneurs who have traditionally experienced difficulty in borrowing or raising equity (e.g., youth, women, natives, and immigrants).

Creating a more entrepreneurial environment is just the first step. A number of important elements are also required to further encourage and stimulate entrepreneurial activity. These include:

• committed leadership by business and all levels of government;

• a pool of successful entrepreneurs, potential entrepreneurs and the skilled and adaptable workforce necessary to support new business development;

• knowledge of business, investment and market development opportunities;

• a business culture which places a priority on commercializing new ideas, technologies and processes;

• access to equity and debt financing; and

• a strong spirit of individual self-reliance.

Where are Alberta's strengths in nurturing entrepreneurial initiative? What are our weaknesses? How can we remove some of the obstacles to entrepreneurship and small business development? These are just a few of the questions Albertans may wish to consider in providing their views and opinions on the role of entrepreneurship and small business in Alberta's economic future.

4.5 A New Approach to the Workplace

The public policy issues raised by the workplace are among the most challenging we will face in the 1990s. Alberta's ability to meet the challenges of rapid technological change and increased global competition will largely be determined in the workplace. The quality of employer/employee relations and the way the workplace is organized will be critical. If Alberta companies are to compete globally, they must have the complete cooperation, commitment and involvement of their employees at all levels.

A positive industrial relations climate, and greater management/labour cooperation in dealing with workplace issues, will be key factors in maintaining investor confidence and competitive advantage in the 1990s.

Alberta's labour law is built on the premise that a basic conflict of interest exists between employers and employees. In effect, the law enshrines and encourages an adversarial relationship. It is therefore imperative that Albertans continue to look at new approaches to facilitating less adversarial relations in the workplace. Albertans may also wish to consider whether there is a need to rebuild our labour law on the premise that employers and employees share a basic common interest in maintaining the long term economic viability and quality of the Alberta workplace.

Workplace Organization

The need for alternatives to traditional management and operational styles is a result of major changes and emerging trends in Alberta's political, economic, demographic and social environment. Deregulation, globalization, visible minorities and dual career families are just some of the factors affecting the workplace.

Most Albertans are employees and their ability to live well and support their families depends on their having jobs that offer decent wages, benefits, hours and a safe and healthy work environment. More and more, however, Albertans are looking at work not just as a source of livelihood but also as an opportunity for individual growth and for participation in decision-making. This trend may well require a complete shift in the way we think about and deal with the workplace.

New approaches to workplace organization, such as "working at home" arrangements, and innovations such as Total Quality Management, certainly have the potential to benefit both management and workers. At the same time, it is not yet clear what impact new workplace arrangements will have on unions and, for that matter, on union-management relations.

In many companies, particularly in those manufacturing and processing operations that are relatively "labour intensive", the productivity of employees (output per employee per hour) is also a key issue. Unit labour costs are essentially a measure of wages and benefits in relation to overall labour productivity, and are often crucial to a company's success. Are current productivity measures a useful performance indicator? How can we develop a more cooperative approach and greater commitment to productivity?

Employment Standards

Existing employment standards legislation in Alberta is based on a traditional model of the workplace. Only the most basic, minimum standards are mandated, and it is essentially left up to employers and employees to negotiate the terms and conditions of employment.

Employees of large and/or unionized employers — including the public sector — tend to receive better wages, benefits, and working conditions than workers in small companies. As well, full-time employees tend to receive better wages and benefits than part-time workers.

Albertans will need to consider whether this approach to employment standards is still appropriate in an economy in which most companies are small, a growing percentage of the jobs are part-time, and the vast majority of the private sector workforce is non-union. Do we need to rethink absolute, universal rights and standards to ensure all working Albertans are treated fairly? Do we need new processes and mechanisms to represent the interests of unorganized workers?

Employers, educators, unions and individual Albertans are all encouraged to share their views and opinions on these and other relevant workplace issues. This broad input will assist the Alberta government in its efforts to continue to work closely with all interested participants in maintaining a competitive, quality workplace in the years ahead.

5.0 THE ENVIRONMENT AND QUALITY OF LIFE

Together with its human resources, the province's rich endowment and variety of natural resources represent the fundamental strengths of the Alberta economy. In continuing to pursue new economic development opportunities, all Albertans bear a responsibility to protect the environment and the resource base as these are the key elements for sustainable development, diversification, and continued quality of life.

A strong and prosperous economy has enabled the province to support wise resource management and to protect and enhance environmental quality. Alberta has a long-standing commitment to responsible management of the resource base, and also recognizes the importance of integrating economic and environmental planning and management into the decision-making process. The integration of economic and environmental objectives is essential to achieving sustainable development and enhancing the quality of life in Alberta.

5.1 Promoting Sustainable Development

In response to the Report of the Brundtland World Commission on Environment and Development, Canadian environment ministers established the National Task Force on Environment and Economy. In September 1987, the Task Force released a report containing 40 recommendations on steps to foster and promote environmentally sound economic development in Canada.

The report defines "sustainable development" as development which ensures that current utilization of the environment and the resource base does not damage prospects for their use by future generations. Central to this concept is the requirement that current practices should not diminish the possibility of maintaining or improving living standards and the quality of life in the future.

The objective of sustainable development is to promote environmentally-sound economic activity and growth, not to promote economic growth or environmental protection in isolation. Sustainable development is compatible with economic growth, provided that such growth does not compromise the ability of future generations to maintain prosperity, living standards, and continued quality of life.

The Alberta Round Table on Environment and Economy has been established to provide recommendations on how the concept of sustainable development should be implemented within Alberta. The mandate of the Alberta Round Table, which consists of a number of sector representatives and citizens at large, includes:

• developing a sustainable development strategy for Alberta;

• advising the Alberta government on matters of policy related to the integration of the economy and the environment;

• providing leadership to promote demonstration projects and activities; and

• monitoring and reviewing implementation of Round Table recommendations accepted by the Alberta government.

Policy Options in Support of Sustainable Development

One of the primary objectives of Alberta's economic and diversification strategy for the 1990s will be to encourage and support the further upgrading of the province's natural resources. By adding value to resources, Alberta is conserving and more efficiently utilizing its renewable and non-renewable resource base. Over the long term, this will contribute to more stable and sustained economic growth in industries traditionally affected by wide swings in resource prices.

Alberta has put mechanisms in place to prevent rapid depletion of its non-renewable energy resources. It has also used resource royalties to diversify into more knowledge-intensive sustainable economic activities through such initiatives as the Alberta Heritage Foundation for Medical Research, the Alberta Opportunity Company, and Vencap Equities Alberta Limited. The Alberta Heritage Savings Trust Fund is the main vehicle used for investing non-renewable resource revenues in projects and programs that diversify and broaden Alberta's economic base.

Other approaches which could be considered in the 1990s to further advance and promote sustainable development include:

• supplementing regulatory controls with economic incentive mechanisms such as investment tax credits, accelerated depreciation allowances, and contaminant abatement schemes; and

• harmonizing environmental standards and processes across the country to promote fair competition and ensure environmental protection.

Industry, recognizing both the direct benefits of reduced clean-up and remedial costs, and the indirect benefits associated with preserving Alberta's quality of life, is increasingly working toward long term environmental solutions. Industry could further promote environmentally-sound economic development by:

• continuing to adopt internal goals and performance standards which go beyond minimum regulatory requirements while maintaining sensitivity to costs and other economic factors; and

• contributing to the environmental consciousness and capabilities of smaller independent firms through shared information and environmental expertise.

Although the same underlying principles will apply, achieving sustainable development will likely require different approaches in various economic sectors. These are just a few of the approaches which will need to be explored in integrating environmental considerations into the economic decision-making process in a more systematic and coordinated way.

Environmental Legislation and Interjurisdictional Overlap

Since the Canadian Constitution does not expressly allocate jurisdiction over environmental matters solely to the provinces or to the federal government, there is an urgent need to address the issues of interjurisdictional overlap and duplication. These issues must be resolved to improve the predictability of environmental standards and the regulatory process. This is critical from an investment perspective and essential to maintaining investor confidence in the Canadian and Alberta economies.

Companies need to understand up front what their obligations and liabilities are in a clear and definitive way if business and investor confidence is to be maintained.

The proposed Alberta Environmental Protection and Enhancement legislation will create clear regulatory provisions to standardize and clarify both the Environmental Impact Assessment (EIA) and approval processes. Recognizing that environmental concerns and impacts respect neither physical nor political boundaries, the Alberta government is committed to cooperating with other governments in managing environmental issues which affect Alberta's neighbours. The proposed legislation will contribute to greater intergovernmental cooperation, while reinforcing Alberta's constitutional responsibilities for managing the environment in Alberta.

In addition, the Natural Resources Conservation Board Act is intended to define the guidelines and to provide a forum and a process for public hearings on major development projects. The Natural Resources Conservation Board will consider the environmental, social, and economic impacts of projects outside the province's energy sector. In establishing the new Board, Alberta will draw on its experience with the highly successful Energy Resources Conservation Board, created in 1938 to conserve the province's oil and gas resources.

Last year, the federal government released "Canada's Green Plan for a Healthy Environment". The Green Plan contains more than 120 initiatives in eight major areas, and commits the federal government to $3 billion in new spending on the environment over the next six years. The Alberta government is generally supportive of the directions proposed in the Green Plan and recognizes the need for close consultation and cooperation with the federal government in the implementation of particular initiatives.

5.2 Developing and Marketing Environmental Techologies

Alberta has been a leader in setting environmental standards and in fostering sustainable development practices. The application of new environmental technologies in the resource and manufacturing sectors has not only enhanced environmental compatibility, it has allowed industry to remain competitive within global markets.

Government, industry, the universities, and research institutes will need to look at ways of working more closely together in developing the commercial potential of environment-related R&D. This will be essential if the private sector is to continue to address environmental concerns within a competitive framework.

Alberta businesses have been extremely successful in developing the leading-edge technologies required to meet the province's high environmental standards. The Alberta Special Waste Treatment Centre at Swan Hills, Canada's first comprehensive hazardous waste treatment facility, is just one example of Alberta's expertise in the environmental and waste management field.

Alberta firms have also developed knowledge and expertise in a number of other environmental protection applications which meet or exceed internationally recognized standards of quality and reliability. Opportunities to export this expertise are being given a high priority. Areas of Alberta expertise include: land and water management, industrial waste water treatment, sewage and chemical waste treatment, river basin planning, flood and erosion control system design, forestry conservation, recycling and waste management, pollution control and analysis, regional air monitoring, clean fuel-burning technologies, transportation of dangerous goods, and sulphur recovery.

The Alberta Research Council was established by the provincial government in 1921 to support and encourage economic growth through the application of scientific and engineering expertise. This commitment continues today and extends to research into the efficient use and management of renewable and non-renewable resources, and into sound resource conservation practices. Over the past several decades, the Alberta Research Council has played an important role in the advancement of technology that supports sustainable development in the petroleum, oil sands and heavy oil, coal, forestry, agriculture, manufacturing, and advanced technology sectors.

The Alberta Environmental Centre in Vegreville is one of North America's most advanced centres for environmental studies. Its high quality research, evaluation services, and technical expertise are helping businesses seek practical solutions to environmental problems. The environmental research being done at both the Alberta Research Council and the Alberta Environmental Centre provide a strong foundation for the continued growth and development of Alberta's environmental business sector.

The Importance of Waste Minimization and Recycling

The quantity of waste generated by Albertans is increasing each year, and the bulk of this waste is being disposed of in landfill sites. As each landfill site reaches its capacity, new landfill sites are required. The difficulty in selecting suitable sites, their costs, and health and safety considerations are causing major problems for municipalities.

Reducing waste at the source, including residential, commercial and industrial wastes, will help to conserve natural resources, save energy, and reduce collection and landfill or recycling costs.

Effective waste management is a prerequisite in supplying the materials for recycling — while a market for recycled products is also necessary to support a commercially viable recycling operation.

Although recycling has gained a higher profile in recent years, it is not a new industry in Alberta. Building on the strengths of the existing industry, Alberta will be better able to take advantage of emerging opportunities in this area. Recycling efforts can only be successful when they are based on technologies that produce quality- and price-competitive products with strong markets to support them.

How active should government be in working with the private sector to encourage and support continued development of the province's recycling industries?

Should governments, educational institutions, hospitals and other public sector entities implement procurement policies favouring recycled and environmentally friendly products? What if these products are only produced outside of Alberta? How will Alberta's traditional resource and manufacturing industries be affected by the growing trend toward recycling?

The Alberta government is committed to meeting the challenge of providing leadership and support on environmental issues. **Alberta Action on Waste** — the waste minimization and recycling development program recently announced by the Alberta government — is an important step toward achieving the goal of a 50% reduction in municipal solid wastes by the year 2000.

Through Alberta Action on Waste, and government's overall waste management strategy, the province is prepared to work with all economic partners to promote, educate, and assist in waste minimization and recycling at all levels of society. Government is also committed to assisting in the development of markets, technologies, and industrial capabilities for recycling and the production of environmentally friendly products. This reflects government's firm belief that a healthy environmental business sector will not only contribute to the goal of a stable, clean environment, it will also make an important contribution to economic diversification.

5.3 Strengthening Alberta Communities Through Local Initiatives

To successfully meet the challenge of the 1990s, communities will have to define their own niche with respect to provincial and global trends. To do this, they must have the awareness and ability to analyze these trends and to organize, plan, and implement economic development programs on their own behalf. The role of the Alberta government has been to facilitate and encourage this process.

Every Alberta community contains individuals and groups with entrepreneurial spirit and both the initiative and will to revitalize their communities — provided an atmosphere exists to make this possible.

While a vision for the community is important, it is even more important that the vision be realistic, practical and rooted in the basic strengths of the individual community.

In Alberta, many communities are in transition, facing new opportunities and challenges. Effective community-based development requires that the citizens of these communities, the people who have the greatest stake in development, have the opportunity to influence the social and economic futures that are appropriate for them, their values and strengths.

Community-based economic growth and prosperity is closely linked to entrepreneurial activity and growth in the small business sector (as noted in Section 4.4 "Encouraging the Entrepreneurial Spirit").

In 1989, the Minister's Council on Local Development was formed to coordinate a strategy to enhance local capabilities. Underscoring the importance of community input, the Minister's Council held 26 public meetings throughout the province, in which more than a thousand individuals representing 250 communities participated.

The message was clear...communities and individuals want a fundamental change in their relations with government. Local leaders told the Minister's Council they desired a proactive role in determining their economic and social future. The Council was told that the future government role should be one of support — of helping communities to help themselves. A number of options were proposed to facilitate this new relationship:

- an information network — supplying data on new markets, new technologies, and new opportunities to help local residents make decisions on revitalization initiatives;

- an education process — to help local leaders and local or regional economic development officers prepare to take full advantage of opportunities identified through the information network;

- local finance vehicles — which would allow local funds to be used to finance local initiatives, particularly in smaller centres where traditional lenders are often reluctant to support business initiatives; and

- a coordinated government response to individual community needs — to ensure that government is sensitive to local needs and to allow for quick decisions as business development opportunities become available.

Through the Local Development Initiative, the Alberta government has listened to the needs of Alberta communities and will consider the full range of options in providing responsive tools to promote revitalization.

Communities can be provided with the tools required for local development only with a highly coordinated and integrated action plan. In this way, communities in every region of Alberta will be able to benefit from the prosperity generated by this framework for economic development and diversification.

Strengthening the Economic Base of Rural Communities

Small communities are the backbone of Alberta, their lifestyles and economies are a significant part of the province's heritage.

The economic prospects of many rural communities are closely linked to agriculture. One of the biggest impediments to further diversification and growth in the agriculture sector is the present method of payment of the Crow Benefit. Changing federal policy to allow the grain transportation subsidy to be paid directly to producers would promote increased value-added activities in the grain and livestock industries. This would provide a stronger base from which many rural communities could generate additional economic development activity.

Tourism also offers significant potential for community and rural development. The Community Tourism Action Plan is developing a stronger foundation for tourism growth at the local level. Team Tourism, as a marketing program, has increased the awareness of Alberta communities in other provinces and countries. These programs encourage the growth of entrepreneurial activity and have contributed to a stronger and more secure environment for Albertans who wish to live and work in their own communities.

Recent studies have also shown that small business formation and entrepreneurship play a key role in creating income and employment in rural communities. As a result, strategies for rural development will need to consider the broader requirements and potential for entrepreneurial development and small business growth.

In addition to the issues identified through the Local Development Initiative, the following options could also be considered to help smaller communities maintain a viable economic presence in the 1990s:

- expanding community-based initiatives aimed at strengthening and supporting the entrepreneurial and small business culture;
- developing a "matching service" to bring together investors seeking the amenities and quality of life of a rural community, and communities seeking to attract new business development;
- providing increased government assistance to rural communities to ensure residents have the skills they need to participate in jobs and related spin-off benefits associated with local resource development projects;
- building on programs such as Business Initiatives for Alberta Communities to ensure communities have the capability to plan and implement economic and business development initiatives; and
- further developing existing business and community counselling services in rural Alberta into complete business resource centres with in-depth counselling and support services.

6.0 STRENGTHENING BUSINESS RESOURCES

As Alberta moves towards the 21st century, its industries — resources, manufacturing, services and advanced technologies — must be able to grow and compete internationally. Alberta's advantages lie in its human and natural resource strengths and in a business environment which encourages private sector growth and enhances the role of market forces. While it is the role of government to create an environment which promotes competitiveness, it is ultimately the role of industry to be competitive and to identify and take advantage of emerging business development opportunities.

Maintaining and enhancing Alberta's competitiveness will require a healthy, well-educated, and adaptable workforce, and continued nurturing of the province's technological and entrepreneurial capabilities. Businesses must also have the opportunity to operate within a competitive tax, fiscal, and regulatory environment. This is necessary to maintain a positive climate for growth and investment, and to provide future generations with a strong economy and a wider range and choice of challenging job opportunities.

6.1 Science, Technology, and Industrial Innovation

A country's commitment to science and technology is usually quoted in terms of its gross expenditure on R&D expressed as a percentage of the country's Gross Domestic Product (GDP). Canada currently spends the equivalent of 1.3% of GDP on R&D activities... while Japan, the United States, Germany, and Sweden all spend at least twice as much in percentage terms.

Canada's current and past performance in R&D investment is poor compared to its major international competitors. In addition, the existing contribution by industry, relative to university and government, is weak in Canada compared to those of other nations.

Industry currently performs 54% of Canadian R&D, and the universities and government 23% each. To attain a sector distribution close to that of the industrialized countries that invest more in R&D than Canada, a 25% increase by each of the university and government sectors would be required. Industry would need to increase its contribution by 260%.

Recognizing that Canada's poor performance in R&D investment poses a serious threat to the country's future economic prosperity, the first national forum of Canada's provincial and national science advisory councils released the "Halifax Declaration". This document set as a target nearly doubling Canada's R&D investment by the end of the decade from 1.3% to 2.5% of the GDP.

The 1990s will create unparalleled opportunities and challenges for Alberta companies as they adjust to the new global economy. In order to compete successfully, it will be essential that new processing and production technologies be incorporated into Alberta's traditional resource and manufacturing industries to make them more competitive.

Agriculture, energy, forestry and manufacturing are all key components of the Alberta economy. More and more, however, these industries will be under increased pressure to counter the entry of emerging nations as competitors and to increase quality, service and environmental responsiveness. How do our resource and manufacturing industries respond to these competitive challenges? With increased international competition, how can these industries continue to be world leaders in the provision of a wide variety of high value-added products?

The linking of new, advanced and knowledge-intensive technologies with our traditional resource and manufacturing industries is seen as a major advantage Alberta has over many of its foreign competitors. To build on this competitive advantage, Albertans will need to look at new ways of enhancing the acquisition, transfer, adoption and diffusion of best-practice product and process technologies.

The application of the new technologies to resources and manufacturing will help improve product quality, lower costs, result in more value-added processing, and enhance environmental compatibility. All will result in increased competitiveness in global markets.

The new technologies also offer significant opportunities to Alberta's small business community, because they have the potential to enable firms to produce efficiently on a smaller scale. Government, educational institutions, and the research institutes must work closely with the small business community to ensure that small firms are aware of the new technologies and use them to become more competitive.

Five fundamental objectives have been identified to guide the development of Alberta's technology development and industrial innovation action plan for the 1990s. The Premier's Council on Science and Technology — consisting of representatives from the research community, advanced technology firms, and the academic and business communities — will be advising government on possible strategies in each of these areas.

(1) A commitment that science and technology is of critical importance to developing an internationally-competitive economy — a commitment that must be shared by governments, industry, labour, educational institutions, and by the general public.

The Alberta government leads most Canadian provinces in its commitment to science and technology, with an average annual investment of $250 million over the past eight years. In addition, an estimated $185 million of the funding provided to the province's universities supports research infrastructure. Nevertheless, Alberta's gross expenditure on research and development is only 0.9% of provincial GDP, substantially less than the 2.5% or more of GDP spent by many of the province's trading partners.

In the future, Alberta industry will need to significantly increase its investment in R&D, particularly outside the oil and gas sector. It will become increasingly important that government activities and support be focused on encouraging, supporting and complementing increased private sector R&D, especially R&D aimed at improving "competitive performance".

The role of the universities and other post-secondary institutions also needs to be re-examined in the context of the advanced technologies. Reviews of science, engineering and technology programs must ensure that the facilities, training and education provided are appropriate.

(2) Strengthening Alberta's human resource base in science and engineering and increasing university/industry cooperation in research and development.

Alberta's universities, colleges, and technical institutes play a crucial role in linking science and technology with industrial innovation. These institutions train the needed scientific, engineering, and technical personnel and conduct most of the research needed to further technological development.

In recognition of these important linkages, Albertans may want to consider the range of policy options available to strengthen Alberta's human resource base in science and technology. This could include options to ensure greater participation by women in the scientific and technical occupations, and to encourage young Albertans to consider science and engineering as "attractive" career options. It is also important not to overlook industry-led development of scientific, technical and specialized personnel, and how these activities could be further encouraged and supported.

(3) Developing a technology-oriented culture where Albertans are more aware of the importance of science and technology to continued economic prosperity and quality of life.

Developing a strong human resource base in science and technology will require greater public awareness and understanding of the importance of science, engineering, and technical occupations to Alberta's economic growth and quality of life. Current perceptions toward science and technology will need to change before more women and young Albertans consider careers in these fields.

(4) Continuing to provide funding for research infrastructure and facilities which are critical to private sector/university/government R&D collaboration and relevant to current industrial development needs.

While much of the required R&D infrastructure and facilities have already been put in place, there needs to be a more focused and integrated approach to managing and directing R&D activities in the province. Increased R&D collaboration among the universities, research institutes, government, and the private sector would encourage more integrated planning of R&D activities, lead to increased commercial application of basic and applied research, and facilitate the targeting of specific technologies and industrial sectors for future growth.

(5) Providing support for industrial innovation and leveraging increased private and public sector investment in the development of new industrial technologies.

Continuing fiscal restraint means that the Alberta government's spending on research and development, science and technology infrastructure, and assistance for industrial innovation is likely to be constrained over the medium term. Spending in these areas will therefore need to be better targeted. It should also be aimed at leveraging substantially greater private sector and federal government investment in R&D activity in Alberta.

Other options to attract "leading-edge", technology-intensive companies to Alberta could also be considered, such as:

- building on the national Networks of Centres of Excellence Program by developing new collaborative initiatives and additional research linkages;
- providing increased R&D tax credits and incentives to technology-intensive companies;
- encouraging and supporting the formation of R&D consortia and providing tax incentives to companies which collaborate in pre-competitive industrial research; and
- encouraging the formation of joint venture funds to meet specific technology objectives.

In addition, there are a number of related questions Albertans may wish to comment on. Are expenditure objectives or targets a useful measure of our commitment to research and development? What options are available to encourage the private sector to assume more responsibility for R&D?

How can we enhance the technological capabilities of small and medium-sized firms? What options or approaches could be used to increase collaborative efforts among governments, universities, research institutes, and industry in the areas of technology development, application and commercialization? What priority should be given to technology acquisition and the "importing" and "brokering" of new technologies for Alberta industry?

6.2 A New Approach to Manufacturing

In terms of real value of shipments, Alberta's manufacturing base has more than tripled in size since 1970. Alberta's manufacturing sector consists primarily of **value-added resource products,** such as petrochemicals, forest products, processed foods and refined petroleum products, and **industrial goods,** including oil and gasfield equipment, fabricated metal products, transportation equipment, electronic products and construction materials.

A key element of Alberta's diversification strategy has been to broaden Alberta's economic base by supporting manufacturing and the further upgrading of resources. This has helped to diversify the economy by expanding the product base above and beyond traditional resource commodities to higher value-added products.

The petrochemical industry is an excellent example of a relatively new industry in Alberta which upgrades primary energy resources, in this case natural gas, into higher value-added products with a much different market demand cycle. The forest products industry is another example of diversification through further upgrading of resources and the application of advanced technologies to develop new product lines. Products such as oriented strandboard, medium density fibreboard, and chemi-thermo mechanical pulp (CTMP) have resulted in higher value-added and more efficient utilization of Alberta's forest resources.

Diversification has also been achieved by adding value to our agricultural commodities. In fact, the total value of shipments in Alberta's food processing industry now exceeds the total value of primary agricultural commodities produced in the province. Investment in the food processing industry not only provides jobs for Albertans, but also creates new markets for Alberta's primary producers. Malting facilities, dehydrated alfalfa plants, oilseed processors, cheese factories and meat processing plants are just some of the examples where new investment has taken place in recent years. Many of these industries also locate outside of the major urban centres, helping to create new job opportunities in smaller communities.

The further expansion of Alberta's manufacturing base in the 1990s, particularly in areas of higher value-added resource upgrading and new industrial and consumer products, will be important to achieving a more diversified and stable economic base.

Competitive Challenges and Opportunities

With increased international competition, Alberta's manufacturing sector will have to place greater emphasis on technological innovation to reduce costs, improve product quality and reliability, and develop new higher value-added products. To facilitate and encourage this process, the Alberta government will have to work closely with other levels of government to develop a consistent tax and business environment conducive to improving productivity and competitiveness.

While recognizing the importance of a balanced budget, it is also critical for Alberta to maintain its corporate tax competitiveness relative to other jurisdictions in Canada and the United States. Organizations such as the Canadian Manufacturers' Association and the Canadian Federation of Independent Business have expressed concern about recent corporate tax changes affecting manufacturers at both the federal and provincial levels. Furthermore, there has been criticism of the industrial property tax system in Alberta, particularly relating to machinery and equipment assessment and taxation. The concerns and advice of industry will continue to be welcomed and encouraged, and will certainly be carefully considered in developing Alberta's economic strategy for the 1990s and beyond.

Government policies and activities can have a significant impact on the performance of the economy, and hence on the competitiveness of individual firms. For Alberta to continue to attract new manufacturing and processing investment in the years ahead, these competitiveness issues will have to be addressed by all levels of government.

Alberta's manufacturing industries are an important generator of growth in the provincial economy. The long term goal is to develop an internationally competitive, environmentally-sound manufacturing sector which will increase incomes and generate new higher-skilled employment opportunities for Albertans.

Considerable work has recently been undertaken by the Alberta government to assess Alberta's manufacturing competitiveness relative to other jurisdictions in Canada and the United States. Based on this work, and the public input received through the Toward 2000 Together Initiative, the Alberta government will be examining its own policies and activities, and working closely with the federal government and local government authorities in an effort to strengthen the competitiveness of Alberta's manufacturing sector.

To further capitalize on the manufacturing opportunities which will emerge in the 1990s, a number of options may need to be considered. These include:

- encouraging and supporting the further upgrading of intermediate products and the production of complementary products and services, such as the manufacturing of paper products from pulp, further downstream production of petrochemical derivatives and end plastic products, and the production of complementary inputs such as specialty chemicals for the forest products industry and oil and gasfield exploration and production equipment for the energy sector;

- strengthening the sourcing and procurement linkages between small and large manufacturers in order to encourage supplier development and further enhance the production capabilities of the province's small manufacturers;

- developing new approaches to assist manufacturers in adopting and using the latest production technologies (e.g., computer assisted design and manufacturing technologies, total quality control systems, robotics, etc.); and

- encouraging increased private sector investment in productivity-enhancing plant and equipment through special tax incentives, repayable contributions and infrastructure support.

Building Competitive Advantage

In the past, the relative strengths of national and regional economies often derived from their endowment of natural resources. In many of the advanced manufacturing industries, however, competitive advantage is now being "engineered". Research and development, scientific and technical expertise, advanced design and production processes, and quality assurance are among the key determinants of competitive advantage in many of these industries.

Although Alberta's resource-based industries will remain the primary engine of economic growth for some time to come, their contribution will increasingly be augmented by new high growth industries. Despite the risks associated with these "threshold" or "emerging" industries, they will be critical to Alberta for two reasons:

- they represent the focal points for future growth and job creation; and

- they have the potential to develop the products, services, and enabling technologies to stimulate further growth in the traditional resource and manufacturing industries.

Businesses no longer base location decisions solely or simply on considerations of low-cost environments. They now consider a much more complex set of factors which can affect their ability to compete in the global marketplace. Workforce skills and availability, access to technology, proximity to academic and research institutions, and quality of life considerations have all emerged as key elements in guiding business investment decisions in advanced manufacturing.

A firm choosing to compete on the basis of quality and product differentiation will seek quality inputs — highly skilled workers, leading-edge technologies, and advanced design and production systems. In addition, it will seek out a competitive tax and regulatory environment, one where the requirements and paper burden imposed on companies do not create any unnecessary costs. This implies that Alberta's long term competitiveness and prospects for attracting new business development are closely linked to both the level of corporate infrastructure available to firms and to the prevailing business climate.

Targeting High-Growth Industries

With a relatively small population base, and without close proximity to our major markets, Alberta cannot expect to succeed in all of the industries and sectors it may want to develop. The small domestic market and high transportation costs can make it difficult for certain types of industries to compete from Alberta.

Development of the province's advanced manufacturing sector has been, and will continue to be, one of the primary objectives of Alberta's economic and diversification strategy. The current focus is on advanced materials, electronics and telecommunications products, the aerospace industries, transportation equipment, and industrial machinery and equipment. These areas have been targeted on the basis of certain strengths in Alberta — both within industry and the research community — and on the existing and potential market opportunities for these products.

Over the past 15 years, Alberta has built a significant research and development infrastructure, making the province more attractive to business and investors alike. Even with this infrastructure in place, however, linkages still need to be developed to encourage greater commercialization within Alberta's advanced manufacturing sector. It will become even more important in the future that these linkages be developed and strengthened to further encourage and support the growth of key industries.

Are there other areas where competitive firms are already emerging, or where there may be additional opportunities or potential to develop new industries or products within Alberta?

What are Alberta's strengths and weaknesses in the manufacturing sector, and how do factors such as scale of production, physical resources, the value of the Canadian dollar, taxation, and transporation costs affect the province's ability to attract new investment?

Moreover, what options are available to further strengthen and strategically position Alberta's manufacturing sector to meet the competitive challenges which lie ahead?

6.3 Competitive Service Industries

Alberta's service sector is extremely diverse and accounts for some 60% of the province's Gross Domestic Product and more than 70% of provincial employment. Over the past decade, income and employment levels in the service industries have been much more stable than income and employment in the resource and manufacturing industries. Given the relative size and importance of the service sector, this has been a key factor in reducing some of the variability inherent in Alberta's resource-based economy.

"Business services" are essentially services purchased by other businesses, such as design, consulting engineering, research and development, computer, financial, professional, communications and distributive services. These services now account for almost 50% of Alberta's total service sector receipts. Consumer and government services each account for some 25% of the service sector's current output. Contrary to popular belief, much of the real growth in the service sector is being fuelled by demands for services to support Alberta's industrial base and not by demands for consumer services or the growth of government.

Business services are one of the main vehicles through which new technologies are introduced into the economy. These new technologies often lead to the lowering of production costs, more environmentally sound production processes, and the development of new products and services. Business service firms also play an integral role in advising other industries and firms on all aspects of business competitiveness, from process and product design to marketing and distribution.

Given the increasing level of business services embodied in traded goods, the overall competitiveness of Alberta's resource and manufacturing industries now depends to a large degree on the quality and cost of these service inputs. As an example, purchased services inputs are currently estimated to account for 39 cents of every dollar of Alberta's merchandise exports. Services are also exported in their own right, generating additional export revenues and jobs for the Alberta economy.

We are no longer at a stage where we can talk about any one sector as being "the key" to economic growth. The Alberta economy is now highly integrated and the linkages between sectors have become critical to maintaining global competitiveness.

Given that services are a dominant and growing part of the Alberta economy, consideration should be given to developing a proactive strategy which supports the development of strategic service industries. This strategy could focus specifically on those service industries that:

- enhance the productivity and competitiveness of Alberta's resource and manufacturing industries;
- generate professional, technical and other high value-added job opportunities; and
- have the potential to become significant export industries in their own right.

Strategic Service Industries

While Alberta is competitive in most service industries, the province's competitive advantages within the service sector are clearly in business services — particularly in specialized niche markets. This includes a wide range of information-based services derived from traditional areas of strength, such as:

- resource extraction and management (e.g., oil and gasfield services);
- engineering and design;
- certain transportation services;
- environmental services;
- land-related information systems; and
- information and communications services.

The Alberta government also recognizes that a well developed **transportation and communications infrastructure** is essential. Government is therefore committed to ensuring that Albertans have access to efficient transportation and communications systems which support the province's social and economic well-being. Maintaining competitive transportation costs, and encouraging and supporting the development of new transportation and communications infrastructure, will be among the key challenges confronting Albertans in the years ahead.

In looking ahead to the future role of business services in the Alberta economy, several important questions need to be addressed. What are the prospects that business services will continue to grow as rapidly in the 1990s as they did during the 1980s? What can government do, in partnership with industry, to encourage and support development in areas having strong potential for growth?

How can we further strengthen the "competitive linkages" between business services and the province's resource and manufacturing industries? What role should government play in attempting to capitalize on the growing international trade in services? Should government attempt to privatize as many government services as possible, or should a more cautious approach be taken on privatization? How can we better utilize our transportation system to help overcome the relatively long distances and high costs of transporting goods to our major markets? These questions outline the broad range of issues which will need to be considered and discussed in developing Alberta's economic strategy for the future.

Tourism's Potential

Tourism has been recognized as a major contributor to Alberta's economic growth. Alberta government policy, over the last five years, has been targeted at capitalizing on the growing worldwide importance of tourism and the many economic opportunities available through the pursuit of tourism development. The key elements of Alberta's current tourism strategy are listed below.

ALBERTA'S CURRENT APPROACH TO TOURISM DEVELOPMENT

- **Building a solid tourism foundation at the community level.**
- **Developing a solid service structure for the tourism industry.**
- **Developing regional and provincial tourism generators.**
- **Facilitating major destination resorts developed by the private sector.**
- **Ensuring appropriate infrastructure and transportation access to tourism facilities and attractions in Alberta.**
- **Responding to the education and training needs of the tourism industry.**
- **Coordinating and implementing an integrated approach to marketing.**
- **Reviewing all government policies affecting tourism.**

This strategy has resulted in the creation of a number of government/industry initiatives that have bolstered development of the tourism industry in recent years. Among these initiatives are:

- **The Canada/Alberta Tourism Agreement** which provided funding assistance to development, marketing, research and training projects designed to strengthen the national and international competitiveness of Alberta's tourism industry;

- **The Community Tourism Action Program** which provides financial assistance to Alberta municipalities, and others, who wish to implement tourism-oriented capital development projects identified in Community Tourism Action Plans;

- **Team Tourism** which is a joint government/private sector marketing program designed to help industry market tourism destinations and facilities on a regional basis; and

- **Alberta Best**, an awareness and hospitality training program, which is designed to help Albertans understand the importance of tourism and to ensure Alberta's visitors receive the hospitality and quality service they deserve.

While these initiatives have furthered the development of the industry, there continue to be a number of challenges facing the growth of tourism in Alberta.

The significant growth potential in the tourism industry raises several questions and options for the future. How can Alberta be developed and promoted as a year-round destination? Should Alberta dedicate natural resources specifically for the development of tourism? How can we establish an effective balance between tourism development and environmental conservation? What role should government play in further developing Alberta's tourism industry?

In order to ensure that these challenges are met and the industry realizes its full economic potential, it is necessary to develop a clear and consistent vision for tourism. "Tourism 2000: A Vision for the Future" will establish a new provincial tourism strategy, representing the long term goals and objectives of the major tourism partners, and in doing so will chart a future course for tourism in the province. Tourism 2000 will address the critical issues facing tourism through a broad industry consultation and public participation process, and will provide the private sector and other partners with an overall strategic framework for the industry.

With the rapid growth in international travel, Alberta's tourism industry is expected to see strong growth in the 1990s. Government will continue to work closely with the private sector to ensure that the industry is prepared to take full advantage of the tremendous growth opportunities that are available.

6.4 Broadening the Corporate Base

Albertans recognize the crucial role that entrepreneurs and small businesses play in our economy. Currently, businesses with less than 50 employees represent 95% of all Alberta firms...and over the period 1978-1988, small business accounted for almost 80% of all new jobs created in the province. Studies have also shown that Alberta's dynamic small business economy has provided a solid base of economic stability across the province, particularly in rural and smaller communities.

As in the past, much of Alberta's future growth and prosperity will depend on the entrepreneurial spirit of its small business community. The Alberta government will continue to encourage and support entrepreneurship and small business development by creating an economic environment that encourages business start-ups and business expansions.

With the emergence of new design, production, marketing, and office technologies, economies of scale are no longer as important as they once were. Consumers are also demanding more specialized and customized products and services. Small companies that can respond quickly to these shifts in consumer demand and use the new technologies to improve their competitiveness will be successful.

As an example, many small Alberta manufacturers have chosen to specialize in shorter production runs or to undertake flexible manufacturing. Rather than extending production runs in a few product lines, these firms now focus on meeting specific demands for specialty products in Canadian, United States and other international markets. In this "niche marketing approach", the quality of a product or service has generally proven to be more important than price competitiveness in determining success.

Both levels of government provide strategic and other forms of business information to small businesses. Governments offer programs and services to assist these businesses in the areas of management planning, product development, quality assurance, and skills development and training. This assistance is crucial to many entrepreneurs and small businesses, and to building a stronger and more competitive small business economy in Alberta. It will be important to review and assess these programs and services on a regular basis to ensure that they adequately address the needs of small companies and further build on this strategic partnership.

An Emphasis on Growth and Competitiveness

While recognizing the importance of small business in terms of employment growth and creating new economic opportunities, longer term prosperity will also depend on developing larger firms which can compete effectively in the international marketplace. Although Alberta has a number of large firms with head offices located in the province, the majority of these are in the oil and gas sector. Many of the province's medium-sized companies are also found in the oil and gas sector or in related industries.

Medium-sized firms play a vital role in the economy. Their size often allows them to be more effective competitors in both domestic and international markets, as well as providing them with greater flexibility to quickly adopt and utilize the new technologies. An advantage they have over many larger firms, is that they typically maintain much of the organizational flexibility found in smaller enterprises and can therefore respond quickly to emerging business and market development opportunities.

A concentration of medium-sized firms is usually a prerequisite to developing a critical mass in an industry or sector, particularly in the advanced technologies. The more small businesses that grow into medium-sized companies, the more competitive the Alberta economy will be in responding to the challenges and opportunities which lie ahead.

It is apparent that Alberta is currently under-represented in terms of the numbers of medium-sized firms operating in the province. To further strengthen Alberta's competitive position in the global economy, new approaches to attract and develop more of these companies will need to be considered.

A number of options exist which could serve to broaden Alberta's corporate base, including:

- attracting more "leading-edge" or "threshold" companies to the province in key industries and sectors;
- encouraging the location of more regional and corporate head offices in Alberta; and
- assisting small companies in key industries and sectors to expand their operations and develop into medium-sized companies.

Attracting more leading-edge companies, and encouraging firms to locate their head offices in the province, would bring significant benefits. With research and development, product design, marketing and other important business decisions being made in Alberta, the benefits would not only include spin-off effects within the industry and related service industries, but significant job creation through the contracting out of work to local companies. At the same time, these firms could also provide a stimulus for other companies in the industry to relocate to Alberta, thereby further contributing to the province's competitive strengths and critical mass in certain industries.

What approaches or strategies could be considered to attract more leading-edge companies or head offices to Alberta? Should government provide incentives, or should these decisions be left entirely to the marketplace? What if other provinces or states are providing incentives? How can we avoid counter-productive competition among jurisdictions and interprovincial bidding wars to attract these companies?

A primary constraint to small business growth is the problem of raising new capital. How do we ensure that adequate financing is made available to smaller firms with strong growth potential? Is there too much reliance on debt rather than external equity financing? How can we increase the awareness and access of small businesses to sources of external equity financing, such as the venture capital market?

6.5 Competing in the Global Martketplace

Over the past 15 years, the Alberta government has actively pursued a strategy designed to increase the number of companies exporting and to expand exports in both international and domestic markets. With a growing number of Alberta companies exporting a diverse range of products and services, our ability to further diversify and stabilize the economy has been greatly enhanced.

Trade is a key building block for economic growth and diversification in Alberta. Today, international trade accounts for over 20% of Alberta's Gross Domestic Product and close to 270,000 jobs in Alberta in some way depend on exports.

While exports help to stabilize our economy, even greater stability can be achieved through the diversification of markets for our products and services. Expanding existing markets and strategically targeting new markets with a strong potential for Alberta exporters will remain a major thrust of Alberta's trade promotion and market development strategy.

A Continuing Commitment to Alberta Business

As we enter the 1990s, new directions in export development must be pursued within the framework of a strong, cooperative partnership with the private sector. Government's primary role will continue to be that of a catalyst for business — to identify areas of opportunity, maintain and facilitate contacts with key prospects beyond Alberta's borders, and assist businesses in developing and implementing effective marketing strategies. In order to further diversify our market base, and enable Alberta businesses to capitalize on new and emerging opportunities in the international marketplace, a number of options may need to be considered.

• **Broadening the market intelligence and support services network to assist Alberta businesses in developing appropriate marketing strategies.** Government could further strengthen its market intelligence network, including the information gathering capabilities of Alberta's foreign offices, and look at new and more effective ways to disseminate this information to the private sector.

• **Developing programs which encourage and support the formation of new marketing vehicles, such as consortia and trading companies.** These types of marketing vehicles have proven to be extremely effective in overcoming the small scale and general lack of export and trade-related experience among many small businesses.

• **Providing increased support to small and medium-sized companies to improve their "export readiness".** Additional programs and services could be designed to enhance export awareness, including awareness of specific market and product development opportunities, and to improve the marketing capabilities and skills of these businesses.

Additional options which could further enhance Alberta's international trade might include:

• programs to build on Alberta's ethnic diversity to help access foreign markets for Alberta goods and services;

• developing a Trade Showcase in Alberta to display Alberta products, services and technologies to domestic and international buyers;

• programs to encourage more foreign buyers to visit Alberta and to establish purchasing offices in the province;

• increased numbers of targeted trade shows and trade missions to market Alberta products and services; and

• programs to increase access by Alberta companies to World Bank, Asian Development Bank, Canadian International Development Agency, and other international development agency contracts and projects.

In the 1990s, the strength of Alberta's business community will increasingly be determined by its ability to compete in international markets. Globalization — the result of technological advances, reduced trade barriers and the growing sophistication of consumer demand — will remain a dominant theme, encouraging Alberta's innovative and efficient producers to respond with internationally competitive products and services.

Alberta is already recognized as a quality supplier, and this reputation must be maintained. While price competitiveness will remain important, the international marketplace will place increased emphasis on quality assurance and after-sales service. It will be critical, therefore, that Alberta producers and exporters recognize the importance to their overall market development strategy of reputation, quality and after-sales service.

Expanding Market Access

As a trading province, Alberta has prospered from the removal of barriers to trade. The elimination of barriers has allowed Alberta businesses to overcome the obstacle of a relatively small domestic market, improve economic performance and strengthen the overall competitiveness of the Alberta economy.

INTERNATIONAL AND DOMESTIC TRADE: OPPORTUNITIES AND CHALLENGES

• The Canada/United States Free Trade Agreement is now in place and will result in the elimination of all bilateral tariffs between the two countries by January 1, 1998. The Agreement will also reduce or eliminate a wide range of non-tariff barriers to trade for both products and services.

• Efforts are continuing to conclude the Uruguay Round of Multilateral Trade Negotiations. These are the most comprehensive negotiations ever undertaken under the auspices of the General Agreement on Tariffs and Trade. A successful conclusion would improve Alberta's market access, but would also increase the access of foreign competitors to domestic markets.

• Canada, the United States and Mexico have entered into negotiations to establish a North American Free Trade Agreement. These negotiations have the potential to further expand and secure Alberta's market access within a combined North American market of some 360 million consumers.

• The provinces, territories and the federal government are also continuing to work together on initiatives to reduce or eliminate barriers to interprovincial trade. Agreements have recently been concluded in the areas of government procurement and beer marketing practices. Efforts are continuing to further strengthen these two agreements, as well as to address barriers in other areas such as professional and labour mobility.

In the future, Alberta will need to continue its efforts to influence, where possible, the trade policies of both the federal government and our trading partners. This will remain a priority for Alberta...with the overriding goal being to further expand and secure market access for our products and services.

How do we continue to build a strong government/private sector partnership in the area of trade development? What other options are available to improve the export readiness of small and medium-sized companies? Are there new markets the Alberta government should be giving increased priority to in its trade promotion and market development activities?

What impact will Europe 1992 have on Alberta's access to European markets? Will new marketing strategies be required? What opportunities may be available if a North American Free Trade Agreement involving Canada, the United States and Mexico is formally concluded?

What competitive threats might Alberta companies face as a result of the continuing trend toward greater trade liberalization? Which industries or sectors of the economy are likely to see the greatest benefits?

6.6 A Positive Climate for Growth and Investment

The Alberta economy has traditionally been investment-driven in terms of income and employment growth. Investment has at times accounted for up to 40% of Alberta's Gross Domestic Product (GDP), and has generally averaged about 30% over the past decade. By comparison, investment in other Provinces typically accounts for around 20% of GDP. Clearly, investment is a crucial factor in Alberta's economic performance.

Alberta has relied heavily on foreign capital to supplement that available from domestic sources. Foreign investment fostered an agricultural export economy in the first part of the century and assisted in the rapid development of the energy sector following the Second World War. It is estimated that foreign direct investment has accounted for up to 25% of all new investment in the province in some years, but generally the level has averaged between 10% and 15%. At the same time, we must not overlook the important role played by domestic investment in Alberta's economic development.

Many of Alberta's future development prospects – advanced technologies, forestry, petrochemicals, oil sands, heavy oil, coal, tourism, and food processing – are capital-intensive. Large amounts of new investment capital from both domestic and foreign sources will be required to take advantage of these opportunities.

Investment does more than simply generate jobs. It is an important vehicle in transferring technology, increasing productivity, and improving competitiveness. To create a positive climate for growth and investment, government and the private sector will both need to reinforce the notion that Alberta is a good place to do business — and is a province committed to growth, excellence, and maintaining a high quality of life.

The Alberta Capital Marketplace

An efficient and competitive capital market is essential if Alberta is to maintain an economic environment that encourages capital formation and attracts new investment.

Capital formation is particularly important to the continued growth and development of new and existing small businesses in the province. A brief overview of the current situation in the Alberta capital marketplace is provided below.

THE ALBERTA CAPITAL MARKETPLACE

• Availability of Capital for Alberta Businesses
A combination of the overall economic environment and decreased confidence among small investors in the integrity of capital markets, particularly since the Market Crash of 1987, has resulted in significantly reduced activity on all exchanges, including the Alberta Stock Exchange. This reduced activity means less available capital for businesses.

• Globalization of Economic Activity
Technological advances have contributed to the globalization of capital markets. Through computerization and the entry of banks into the securities business, the Canadian securities industry is being consolidated and centralized. This raises two major concerns for the operation and regulation of the Alberta capital marketplace:

- **institutional decisions and decisions on the investment of private capital in Alberta are more frequently made in central Canada; and**
- **the effectiveness of provincial regulation in enforcement, information sharing and jurisdiction is being challenged.**

Preservation of a viable Alberta capital marketplace will require the cooperative effort of both government and industry. Some fundamental questions will also need to be considered. Is there enough capital in the province to support the current and future needs of Alberta businesses? How can government and industry work together to encourage and facilitate small capital formation? Is the retail investor vital to the Alberta capital marketplace? If so, what can be done to attract these investors back to the marketplace? Is the Alberta Stock Exchange still viable in the face of a growing global financial marketplace? If it is viable, what can be done to enhance it?

The Role of Government in Encouraging Investment

Governments — federal, provincial, and municipal — can have a significant impact on the cost of doing business through their policies and overall management of economic issues. Government policies which strengthen the role of market forces, maintain a competitive tax and fiscal environment, control inflation, streamline the regulatory process and make risk-taking more attractive, serve to stimulate investment and business development. With increased international competition for new investment, all levels of government must work together in building a business climate that is attractive to both domestic and foreign investors.

There are a number of policy options or vehicles available to government to stimulate investment and business development, including: direct financial assistance (e.g., loans, loan guarantees, equity participation); tax policy (e.g., competitive rates, investment incentives, R&D credits); and services to business (e.g., business counselling, trade and investment promotion, market intelligence and dissemination). In addition, the Alberta Heritage Savings Trust Fund provides the government with a unique means of further encouraging new investment and diversification in the province.

- **Direct Financial Assistance**

The use of loans, loan guarantees and other forms of direct assistance to business represents one economic tool to attract new investment. Guarantees are often used to leverage private sector investment by sharing some of the risk exposure. Direct financial assistance can be delivered through specified programs (e.g., Export Loan Guarantee Program, Alberta Capital Loan Guarantee Program) or through non-program assistance where proposals are assessed on a case by case basis.

The Alberta government utilized loans and loan guarantees in the mid-1980s when Alberta was suffering from the effects of low world energy and grain prices. With the prolonged downturn in the economy in 1982 and 1983, banks took a much harder line on their lending practices in Alberta. For new businesses and higher risk ventures, it became more difficult to obtain financing from conventional sources. Faced with this situation, the Alberta government increased its efforts to diversify and kick-start projects which would have otherwise been deferred or cancelled. With a stronger economy today, there is less of a need for direct government assistance; however, this type of assistance can still be an effective tool in certain situations.

- **Tax Policy**

Provincial corporate tax policy is another area where there is considerable scope to further enhance Alberta's competitiveness and provide specific investment incentives. While there are many factors affecting investment decisions, taxation is a highly visible aspect of Alberta's overall competitiveness, and it is a factor that is directly affected by government policy.

Although Alberta has established its own corporate income tax system, the province still uses the same approach as the federal government in calculating taxable income. The potential clearly exists for making greater use of the provincial corporate tax system to stimulate investment in targeted industries and sectors (e.g., by providing tax incentives/ deductions such as accelerated write-offs for manufacturing machinery and equipment, or by providing R&D tax credits or other types of tax preferences).

Recognizing that the Alberta government is faced with fiscal constraints, any proposed tax incentives must be evaluated on the basis of their cost and effectiveness in attracting new investment to Alberta, investment which will in turn generate additional income and tax revenue for the province.

- **Services to Business**

Business development and investment can also be facilitated through the provision of a wide range of government services to business. These types of services can range from promoting awareness of Alberta's economic capabilities and investment opportunities in the international marketplace to providing business counselling services to assist new business start-ups and business expansions.

In seeking to have investment take place in the province, the Alberta government has established vehicles such as the Investment Matching Service of Alberta (IMSA). This is a professional, computerized service designed to match domestic/international investors with Alberta-based investment opportunities. IMSA utilizes the extensive information network of the Alberta government, including six international offices, eight regional offices, as well as offices in both Edmonton and Calgary. Government also encourages investment by coordinating and assisting incoming missions, conducting trade and investment seminars and counselling companies on potential investors through initiatives such as the federal Business Immigration Program.

- **Alberta Heritage Savings Trust Fund**

Established in 1976, the Heritage Fund provides Alberta with a unique vehicle to encourage new investment and economic diversification. Various programs and initiatives backed by the Heritage Fund have helped to broaden Alberta's economic base. At the same time, the Heritage Fund has lessened the tax burden on individuals and businesses, and has helped to maintain the range and quality of education, health and social services available to Albertans.

One option which could be considered would be to set aside a portion of the Heritage Fund, specifically to finance new programs and initiatives in support of economic diversification. Strategies and guidelines for the use of these funds would ensure that they were used in such a way as to complement other government/private sector activities or initiatives aimed at broadening our economic base.

Once again, the importance of a balanced budget cannot be overstated. Taxpayers are already concerned about their ability to afford the current costs of government and are placing a high priority on fiscal restraint. This limits the options available to government. Consideration will therefore have to be given as to what is the most appropriate role for government in encouraging new investment and business development. What is clear, however, is that Alberta's commitment to responsible financial management means that government will have to make even more effective use of limited resources in the years ahead.

7.0 THE NEXT STEP

In the past, Alberta has successfully lessened the effects of short term economic variability, expanded opportunities through resource upgrading, and developed new industries, products and services to provide opportunities for economic growth. But a new century will bring new challenges.

Structural and technological change, increased global competition, and growing awareness that economic growth must be environmentally sustainable, all suggest that government may have to be an even more active partner with the private sector in responding to changes in the global economy. A progressive economic and diversification strategy for the 1990s will be essential if we are to meet the challenges which lie ahead.

One of the challenges facing Alberta is to develop stronger competitive positions in the high-growth and emerging sectors of the economy. Focusing available resources in areas where considerable strengths already exist — or where strengths can be developed — will be the key to sustaining economic prosperity and a high standard of living in the future. While there are some risks associated with this approach, there are even greater risks in taking a less strategic view of what lies ahead for the Alberta economy.

Albertans are encouraged to think about the many challenges facing the province as we move toward the next century. Public involvement is essential to sound decision-making. The decisions that result from this in-depth public discussion of our options and choices will have far reaching implications for Alberta in terms of jobs, economic growth, the environment, international competitiveness, and our long term prosperity and quality of life.

All Albertans are encouraged to participate in the **Toward 2000 Together Initiative.** We ask you to review the issues raised in this discussion paper, to think about the options and choices available to Alberta, and to share your insights with us.